Austria ... Sch 16	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y 250	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £1 8.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $35
France ... FFr 6.00	Mexico ... Pes. 300	Tunisia ... Din 0.500
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.00
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,770 — Monday November 4 1985 — D 8523 B

Europe's airlines at odds over cheap fares, Page 5

World news | Business summary

Sinn Fein fears ban if pact is agreed

Fears emerged at the annual conference in Dublin of Sinn Fein, the political wing of the IRA, that any agreement based on the present Anglo-Irish talks on Northern Ireland would lead to a crackdown on the party. But Gerry Adams, party president, said Sinn Fein would not be defeated, nor renounce the IRA's "right" to use force.

Delegates were reportedly told privately by Adams that Sinn Fein believed it was planned to ban the party following any accord.

London and Dublin are at a delicate stage in protracted discussions widely believed to include a consultative role for the Irish Republic in Northern Ireland's affairs. Page 16

Argentina ballot

Argentines voted in the first mid-term congressional elections for 20 years, held under a state of siege imposed to stop right-wing bombings and threats.

Suicide bomb foiled

A Lebanese woman riding a donkey laden with explosives was shot and wounded as she neared a pro-Israeli militia barracks in south Lebanon. Rockets fired from south Lebanon landed in northern Israel but caused no casualties.

Police killed

Twenty-one Mexican policemen were reported killed in a gun-battle with a drugs gang in the eastern state of Veracruz.

Mandela surgery

Nelson Mandela, the 67-year-old jailed South African nationalist leader, underwent surgery in a Cape Town hospital for an enlarged prostate gland. Page 3

Call for Nato vote

Most Spaniards want a referendum on whether Spain should remain in Nato, a newspaper poll showed.

Guatemala election

Guatemalans went to the polls, with the army on alert, to elect a civilian president after three decades of almost uninterrupted military rule. Page 3

Crew rescued

A British ship sank off the north German coast but its five-man crew was rescued by a passing ship.

Economic hopes

Yugoslavia, which is struggling with large foreign debts and high inflation, has drafted an ambitious economic development plan for next year, Belgrade newspapers said.

Airport security plan

Austria said more anti-terrorist measures are to be introduced at the *country's* five international airports.

Border talks resume

India and China resume talks today on their 23-year-old border dispute with hopes of a breakthrough.

Kharg Island attack

Iraq said its aircraft attacked Iran's Kharg Island oil terminal, leaving targets on fire.

Hong Kong warning

Hong Kong police said anyone helping illegal immigrants from China could face life imprisonment and fines of $640,000.

Israeli farm loans

The Israeli Government authorised $90m in bank loans for farmers after protesters blocked roads and two bridges over the Jordan.

Marcos poll pledge

President Marcos of the Philippines said he will call a national election within three or four months.

Safety net for Munich bank

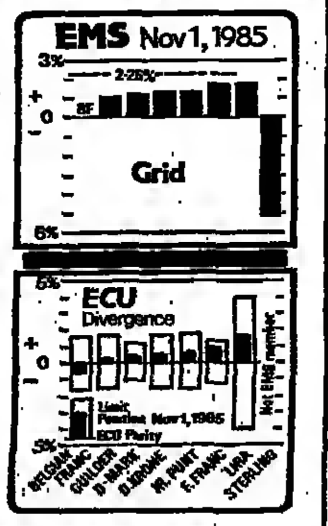
WEST GERMANY'S co-operative banking system has launched a support operation for Munich-based Bayerische Raiffeisen-Zentralbank because of doubts over its loans to *the country's depressed construction* industry. Page 17

TOKYO SHARES: Nikkei market index closed 1.88 up at 12,809.98 on Saturday after Friday's 128.37 fall.

CHINESE Trade Minister said GEC of Britain and Framatome of France were asking too high a price in negotiations over a $4bn nuclear power plant for southern China. Page 5

INTERNATIONAL Petroleum exchange in London today starts a second attempt to launch a crude oil futures market, with trading in an index-based Brent blend contract. Page 6

EUROPEAN Monetary System: Most currencies showed a small rise over the week against their central rates, with attention again focused on the performance of the dollar. The latter was weaker overall after renewed intervention by central banks. The Bank of Japan and the West German Bundesbank were particularly active. The D-Mark was firmer against the dollar, but this failed to place any downward pressure on the weaker currencies. The Belgian franc remained the weakest member, but showed few signs of strain despite a recent reduction in some domestic interest rates.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

VNESHTORGBANK, Soviet trade bank, has launched a banker's acceptance facility in the US domestic market, raising up to $400m to finance purchases of grain. Page 17

MGM/UA Entertainment, US film distribution and studio company facing a takeover bid by Turner Broadcasting, cable television *group, lost $115.8m in the year to* August, compared with a 1984 net profit of $34.7m. Page 20

PANTRY PRIDE, US supermarkets group which recently won a long disputed takeover battle for Revlon, cosmetics and healthcare concern, lost $7.8m in the year to August against a profit of $9.9m in 1984. Page 17

J. ROTHSCHILD Holdings, investment company, is selling stakes in two US investment operations to UK institutions in a $25m deal. Page 22

IRWIN JACOBS, Minneapolis investor, has sold his 5 per cent stake in ITT, the communications group, after failing to win the support of *other shareholders for changes he* wished to make.

SUN KING FUNG, Hong Kong property investment company which has suffered serious losses since the collapse of the local property market in 1982, has been taken over by Hongkong Macao International Investment. Page 20

Kabul embassy incident heightens pre-summit tension

MR GEORGE SHULTZ, the US Secretary of State, arrives in Moscow today to prepare for the Geneva summit while US-Soviet relations are under strain because Soviet and Afghan troops have sealed off the US embassy in Kabul, the capital of Afghanistan, writes Patrick Cockburn in Moscow.

The embassy was surrounded last night after a Soviet soldier, a member of the 115,000-strong Soviet *force in Afghanistan, sought* refuge in the building last Thursday.

Searchlights have been played on the embassy at night, and a diplomat who tried to leave was mistreated by soldiers, according to a US official.

The Soviet Union has made no comment on the incident but has sharpened its attacks on the US in *the lead-up to the summit meeting* between US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, in Geneva in two weeks' time.

Pravda, the Communist Party *daily newspaper, said yesterday* that President Reagan's accusation that Moscow had promoted regional conflict in the world was merely an attempt to divert attention from nuclear arms limitation.

Tass, the Soviet newsagency, had earlier denounced the disarmament proposals presented by the US in Geneva last Friday as one-sided and containing nothing new.

Mr Shultz is to see Mr Eduard Shevardnadze, the Soviet Foreign Minister, today and Mr Gorbachev *tomorrow. Diplomats in Moscow* see the Secretary of State's visit as critical to the success of the summit, given that the two sides are very far apart.

US policy is to try to limit expectations before the summit, while the Soviet Union says that it wants and expects concrete results.

Mr Shultz, who arrived in Helsinki yesterday, said that the Geneva meeting would be partly devoted to the establishment of an agenda for future relations between the superpowers. He did not rule out further summits.

Mr Gorbachev and Soviet com*mentators stressed over the* weekend that the summit must focus on nuclear arms limitation. Moscow has also said that there can be no measure of nuclear disarmament if the US does not abandon its Strategic Defence Initiative – the Star Wars programme.

Mr Shultz has said, however, that there might be progress on an agreement on the reduction of in*termediate-range missiles, even if* differences continue on strategic missiles and the Strategic Defence Initiative.

Over the last two weeks Soviet comment on the prospects for the summit have become increasingly pessimistic, since President Reagan's speech to the UN accusing the Soviet Union of stoking regional conflicts.

Pravda said yesterday that the President, by highlighting regional *conflict*, was trying "to sidetrack the main problems of limiting nuclear and strategic weapons into a distant corner, to drown it in questions about other questions."

But Mr Georgy Arbatov, the head of the USA and Canada Institute and an adviser to Mr Gorbachev, said on Soviet television at the weekend that the Administration was deeply divided on the question *of relations with the Soviet Union.*

He also said that Washington was under pressure from its allies on *the question of the Geneva summit* and added that tensions between the US and its allies had reached a scale "unprecedented in the post-war period."

● The Soviet Union has appointed a new permanent representative to Comecon, the Communist bloc trading group, which it is seeking to strengthen. He is Mr Alexei Antonov, a deputy Prime Minister, who takes over from Mr Nikolaity Talyzin, recently appointed to head the state planning organisation, Gosplan.

In a further change over the weekend, Mr Apollon Systov replaces Mr Ivan Silayev as Aviation Industry Minister. Mr Silayev has been made a Deputy Prime Minis*ter with economic responsibilities.*

Mr Gianni Agnelli

IRI chief defends bid to oust Cuccia

By Alan Friedman in Milan

THE STRUGGLE for control of Mediobanca, the powerful Italian merchant bank 57 per cent-owned by the IRI state holding group, took a new turn at the weekend when Professor Romano Prodi, IRI chairman, said he wanted to "open Mediobanca up for free market competition."

Mediobanca has traditionally been a closed and exclusive institution operating on behalf of a narrow club of Italy's leading industrialists. Prof Prodi, in his first public statement on an issue which is among the most explosive in the history of post-war Italian finance, denied charges by Socialist and Republican politicians that IRI's move to oust Dr Enrico Cuccia, the 78-year-old board member who effectively runs Mediobanca, amounts to an attempt to politicise the institution.

IRI, which through three state banks has 56.9 per cent of Mediobanca's shares, has refused to nominate Dr Cuccia for another term on the grounds that he is past the mandatory retirement age of 70. But Mr Gianni Agnelli, the Fiat chairman, and other members of Italy's financial elite who hold tiny stakes in Mediobanca, are opposing the removal of Dr Cuccia. What is really at stake, however, is the control of the bank.

Dr Cuccia, who is under investigation by a Rome magistrate in connection with an IRI embezzlement scandal dating from the 1970s, *has for many years been Italy's* most influential deal maker.

His personal rapport with the Agnellis and other top industrialists has allowed him to create a spider's web of financial power, based on industrial cross-holdings and key Mediobanca share stakes in Pirelli, Fiat, Montedison, Generali insurance and other companies.

It emerged earlier this year that despite IRI's majority stake in

Continued on Page 16

Milan bourse, Lex, Page 16

Steep fall in peso's value raises fears over Mexican debt

BY PETER MONTAGNON IN LONDON

A FURTHER steep fall in the value of the peso over the past month has raised fresh doubts about Mexico's ability to resolve its $96bn foreign debt problem.

Though it stabilised at the end of last week, the free market rate for the peso *has moved* to 473 a dollar from around 370 at the time of September's earthquakes. This compares with the controlled rate of 322 used to settle physical trade transactions.

Foreign bankers say the sharp drop in the *free rate suggests* a new burst of capital flight could be sapping Mexico's already scarce resources of foreign exchange. One banker in New York spoke at the weekend of "great concern" over developments in Mexico.

*One reason for the fall in the cur*rency is an attempt by the authorities in Mexico to hold down local interest rates and lower the cost of government financing. The authorities have started to fix in advance the rates on auctions of Cetes, or treasury bills, which are one of the Government's main funding instruments.

Expectations that tourist receipts will also fall steeply after the earthquakes was cited as another factor.

But the drop also betrays a growing disillusion among investors at the Government's handling of the economy as well as concern over mounting political opposition within Mexico to economic reforms sought by the International Monetary Fund (IMF).

One of the main demands of an IMF mission now in Mexico is expected to be a cut in the budget deficit which is running at close to 10 per cent of gross domestic product. Economists believe this will be hard to meet because the high cost of servicing government debt already eats up about a third of total spending.

Mexico's inability to reduce interest rates and, therefore, debt service costs without upsetting the exchange market only serves to emphasise the limited range of policy options now available to the Government of President Miguel de la Madrid.

At last month's IMF meeting in Seoul, Mexican officials told bank creditors they would *seek a new* IMF agreement to back up their request for some $2.5bn in net new loans for 1986.

The hope was that a programme could be ready by the end of this month for inclusion in the 1986 budget which is due to be unveiled then, but growing doubts in the banking community over whether this timetable can be met are now adding to worries on the foreign debt.

Bankers say they are now relying on Mexico's record for pulling back from the brink which may lead to the introduction of a number of measures designed to improve its economic performance, including a devaluation of the controlled peso rate to boost exports

EEC plans tax on output to end cereal glut

BY IVO DAWNAY IN BRUSSELS

THE MOST radical reform to the EEC's management of cereals production since the creation of the Common Agricultural Policy (CAP) more than 20 years ago will this week be examined by the European *Commission.*

The plan, which directly affects more than 3.5m farmers, centres on a new tax on output aimed at raising revenue to finance costly export subsidies. This so-called "co-responsibility levy" will be combined with a policy of rigorous price restraints and tough curbs on the guaranteed prices paid for low quality grains.

Officials of the Commission's farm directorate hope the measures will put a brake on production that last year cost the CAP budget about Ecu 2bn ($1.7bn) and left unsold stocks of more than 12m tonnes in Community stores.

But the scheme must first run the political gauntlet of the 14 Commissioners and then, if approved, face formidable hurdles among the 10 farm ministers. This year efforts to bring about a modest 3.6 per cent price cut for grains were vetoed by West Germany under pressure from its powerful farm lobby.

If it fails, many experienced agri*culture industry* observers believe quota restrictions – paralleling the unpopular "superlevy" on milk output imposed last year – will be inevitable.

Mr Peter Pooley, a senior Commission official, told UK farmers at the weekend: "If our cocktail of proposals does not work, or cannot be negotiated, the Community is going to experience one hell of a hang-over.

"Quotas are the ultimate hang-over cure."

The cereals plan, which has a direct impact on costs to livestock farmers using grain as feed, has already provoked controversy within the *Commission itself. It is* understood that figures spelling out the level of co-responsibility tax required to fund export costs have been removed from the paper as too controversial, as have details of new quality standards.

Informed opinion in Brussels, however, suggested that officials were contemplating a producer tax of either 2 or 3 per cent on intervention prices paid at Community stores.

Furthermore, the proposal envisages the creation of a new differential between guaranteed prices for high, bread-making quality grains and feed cereals, perhaps of as much as 9 per cent. This would particularly hit the low grade varieties planted by UK farmers.

The plan is also expected to exempt small producers selling less than 50 tonnes of cereals each year.

Detailed discussion of the scheme is now to be held before the figures are formally put in place when the Commission submits its 1986 farm price proposals in January.

It is certain to meet strong opposition from farmers' unions, which, despite tacitly accepting the principle of a co-responsibility levy, will be vigorously opposed to a likely freeze on prices.

Some member states are also expected to take exception to elements in the package.

Europe's food mountain, Page 14

Deutsche Bank chief hits at bourse approach to reform

BY JONATHAN CARR IN FRANKFURT

A SWINGEING attack on West Germany's stock exchange system has been launched by Dr F. Wilhelm Christians, one of the two "spokesmen" [chief executives] of Deutsche Bank, the country's largest commercial bank.

A press conference on the performance of investment funds over the past year had pursued a calm and predictable course until the question of reform of the stock exchange came up. Then, to the surprise and delight of those present, *Dr* Christians let fly.

He warned that a "short-sighted, parish-pump mentality" was hindering essential change in the domestic stock market system. The country's eight exchanges had to overcome their differences and present a united front to law makers in Bonn and to the outside world. Otherwise they faced only a provincial future, disconnected from international development.

Dr Christians' unusually blunt public warning is felt unlikely to fall on deaf ears. About a year ago Deutsche Bank announced it was moving its non D-Mark Eurobusiness to London from Frankfurt – this shocked the Bundesbank into further liberalising the domestic capital markets.

The latest comments should give a new sense of urgency to talks on stock market reforms which have drifted on interminably without bearing visible fruit.

At issue is whether West Germany can defend, let alone boost, its position as the world's fourth stock market centre after New York, London and Tokyo. The president of the Frankfurt bourse, Mr Karl-Oskar Koenigs, produced a *plan which would help to cut dupli*cated efforts among the eight exchanges to establish a central clearing system and a uniform data processing network.

EMS 'could cut UK inflation'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

FULL MEMBERSHIP of the European Monetary System (EMS) at the present sterling-D-Mark exchange rate would put the British Government's target of 3 per cent inflation by 1988 well within reach, the London Business School (LBS) says today.

The LBS presents a positive review of the case for British participation in its latest Economic Outlook.

It says the downgrading of the broad money supply measure, sterling M3, as a guide to monetary policy has undermined one of the key objections to taking sterling into the exchange rate mechanism. And the pound*'s status as a petro*currency is not a good economic argument against membership because joining would not make the problem any worse.

The LBS study, however, warns against the idea of seeking to peg sterling against the D-Mark and other EMS currencies at an artificially low rate. Such a course, it argues, would result in the loss of much of the counter-inflationary benefit of joining.

It says that an analysis of the exchange rate *fluctuations* both within and outside the EMS supports the claim that the system's exchange rate mechanism has been "an island of relative stability in an increasingly unstable world."

Countries within the system have to some extent been insulated from the uncertainties created by the huge movements in the value of the *pound, the dollar* and the *yen.*

The LBS says that the pound's vulnerability to fluctuations in the oil price cannot be eliminated simply by joining the EMS. It suggests, however, that membership could be accompanied by the issue of an "oil bond," which capitalised the value of Britain's North Sea assets.

Such a bond, representing the stream of future government revenue from oil taxes and royalties, could be sold to Britain's EMS partners, "thus equalising the exposure to *fluctuations in* oil prices and removing one major cause of exchange rate instability."

"This share-out of our oil would not, of course, be a gift to our EMS partners, but a sale at market prices. It could, in effect, constitute a new phase in the Government's programme of asset sales," the LBS says.

The study suggests that even without such a mechanism membership would help to create a more

Continued on Page 16

Tax cuts pressure, Page 6

CONTENTS

OVERSEAS NEWS

Nuclear charges plague Chinese

By Robert Thomson in Peking

PERSISTENT allegations that China has been peddling nuclear know-how to countries keen to develop nuclear weapons continue to plague a Chinese Government fond of taking the high moral ground on nuclear issues.

A series of claims in the US and India in past weeks has focused attention on the great unknowns of China's nuclear capability and raised queries about Peking's guarantees of non-proliferation.

Yesterday, Chen Zhaobao, vice-minister of nuclear industry, told the Financial Times that allegations by a US Senator of Chinese nuclear collusion with countries such as Iran, South Africa and Pakistan were "sheer fabrication. China has not assisted any country in the development of nuclear weapons."

In an interview last week, Zhou Nan, China's Deputy Foreign Minister, said claims by a senior Indian military official that Pakistan would test a nuclear bomb on Chinese territory were "totally groundless," "pure fabrication" and "nonsense."

The Indian claims come on the eve of Sino-Indian friendship talks this week, which are intended to resolve the question of a disputed border between the countries, n border over which they fought n war in 1962.

Defining Eureka's contours

BY RUPERT CORNWELL IN BONN

PARTICIPANTS in Eureka are divided over the role and size of a future secretariat to co-ordinate the nascent scheme for European high technology co-operation, amid fears among smaller countries that for lack of information they could miss out on attractive projects promoted by the venture.

The suspicions have surfaced in tho run up to the second ministerial conference of tho 18 nations involved in Eoreka, which opens in Hanover tomorrow, to be opened by Mr Helmut Kohl, the West German Chancellor.

The Chancellor's speech is expected to be a ringing endorsement of a scheme held to be vital if Europe is to keep obreast of U.S. and Jopanese competition in technology industries. Bnt be will also have to allay fears that Eureka will not turn into a club dominated hy the "Big Four" EEC states—above all France and West Germany.

This issue of project selection and co-ordination has now become, along with finance, the most contentious outstanding issue os Eureka—conceived ond floated by France only last April— struggles to find clear contours.

Only last week, ot a seminar to present the three specific schemes that Bonn will be taking to Hanover, Mr Heinz Riesenhuber, the German Technology Minister, stressed that France and West Germany, the two countries which have most enthusiastically backed the idea, were not seeking to arrange everything " over other people's heads."

But the doubts remain — especially among smaller and less advanced EEC and non-EEC states, which see Eureka as a valuable mechanism for technology transfer. They nre therefore pressing for a powerful secretariot which will keep a close eye on what is happening.

Other countries, however, are afraid that such o body would turn into an unwieldly bureaucracy and o forum for horse-trading. They want a small co-ordinating unit only — especially Britain which insists that industry ond market viobility must have the main say in defining projects.

The likelihood is now, officials say, thot the problem will be left to officiols to resolve after Hanover, but in time for the next ministerial session of Eureka members, likely to be in London in May 1986.

The two days of discussions, to be ottended by foreign and technology ministers will ond with a solemn declaration setting out Eureka's goals, and individual project criteria in very general terms.

Thus far France, which pledged FFr 1bn (£87m) of cash for Eureka at the send off ministerial conference in Paris last July, is the only country to have specifically committed public funds. French officials moreover reckon that a total of around FFr 50bn, half from government sources, will be needed to finance Eureka projects.

Britain on the other hand is adamant that as much as possible must come from participant companies and the financial markets. This view is broadly shared by Bonn.

Mr Kohl is, however, expected by officials to promise tomorrow that the 1987 draft budget will specifically earmark funds for Eureka.

Bonn is bringing three projects to Honover—the development of a Europe-wide research communications network, a project for high performance lasers, and a data bank to measure cross-frontier oir-born pollutants. France though is said to have identified 80 areas for Eureka co-operation, while various European countries have announced candidate schemes for Eureka in areas including integrated circuits, super computers and advanced materials.

Mozambique power source hit

BY PATTI WALDMEIR, RECENTLY IN MOZAMBIQUE

THE GIANT Cabora Bassa hydro-electric project in north-west Mozambique is unlikely to resume power supplies to its only customer, Escom, the South African utility, before the first quarter of next year at the earliest, according to the project's director.

Attacks by armed rebels of the Mozambique National Resistance (MNR) on the 1,400km of high-tension cable linking the dams to the Apollo distribution centre near Pretoria, have kept the line closed for all but two weeks since October 1983.

According to Dr Hermenegildo Gamito, director of Hidroelectrica de Cabora Bassa (HCB), the company is surveying the line (900km of which is in Mozambique) to determine what repairs will be needed. It will take a minimum of two to three months to restore the knocked-out lines, which can supply up to 10 per cent of South Africa's electricity needs.

Cabora Bassa, Africa's largest hydro-power complex completed by a consortium of European and South African companies in 1979, has been a favourite target of the MNR.

Despite the March 1984 non-aggression pact between Maputo and Pretoria, which the Frelimo Government in Mozambique had hoped would lead to a cessation of armed attacks on the line by South African-backed rebels, the sabotage has continued. Widely publicised plans for the recruitment of private security guards for the line by Escom have come to nothing.

The current plan, according to Dr Gamito, is to use Mozambican troops to guard the project, which includes some 6,400 pylons in Mozambican territory, many of them in rough terrain which makes surveillance difficult. Sabotage of only one pylon is sufficient to halt power transmission.

But there are doubts that the Mozambican army (which despite its recent advances against the rebels remains disorganised, ill-paid and ill-equipped) will prove equal to the task. Mozambique would not agree to the deployment of South African troops on guard duty, Dr Gamito said.

The closure of the line is putting heavy pressure on Mozambique's crippled economy. The country is forced to pay in hard currency to import electricity from South Africa for southern Mozambique rather than paying in local currency to re-import Cabora Bassa power through the South African grid. And a recent arrangement whereby Escom would pay Mozambique 0.1 South African cents per KWh of power from Cabora Bassa (all proceeds previously went to Portugal, which financed the dam) will remain a dead letter until regular supplies are resumed.

Polish activists protest over student's death

By Christopher Bobinski in Warsaw

POLISH ACTIVISTS yesterday lodged protests against the death while in police custody, of Mr Marcin Antonowicz, a student.

Mr Lech Walesa, the former leader of the Solidarity free trade union, said he was "shaken by the crime. As long as the apparatus of violence is not placed under the public scrutiny and control then everyone of us can become a victim."

The 19-year-old Mr Antonowicz died in hospital in Olsztyn, northern Poland, over the weekend. He suffered head injuries after being detained by the police on October 19.

Mr Antonowicz, reading first year chemistry at Gdansk University, has not been involved in Solidarity activities, his parents have said.

Dutch to press for reduction in nuclear tasks

By Laura Raun in Amsterdam

THE NETHERLANDS' decision to deploy nuclear missiles on Dutch soil in 1988 after years of delay may raise as many problems as it had been expected to solve.

The Cabinet agreed on Friday in a heated 11-hour meeting to accept the 48 US cruise missiles in exchange for a drastic reduction in the country's other Nato nuclear tasks conpled with a higher defence hadget.

The Hague wants to reduce its nuclear duties from six to two—the Lance guided missile and the 8-inch howitzer artillery—and wants agreement from its Nato partners in short order.

The F-16 nuclear squadron, Orion bomber, nuclear land mines and Nike Hercules defence system would be dropped simultaneously with the 1988 missile stationing.

Mr Ruud Lubbers, the Dutch Prime Minister, explained that the Government wanted Alliance consultations this month so that the whole package — missile deployment and nuclear arsenal reduction—could be submitted to parliament for approval in December.

One of The Hague's bargaining chips is whether it will adhere to a lifting of defence spending by 3 per cent annually in coming years —a figure agreed along with other Nato members in 1978.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Congress faced with two rival US budget plans

BY STEWART FLEMING IN WASHINGTON

THE US Congress will attempt this week to resolve differences over rival proposals to reform the budget process after the Democratic Party in the House of Representatives on Friday approved its own budget plan in an unexpected display of party unity.

The House budget plan would sharply restrict the President's authority to impose the automatic cuts in government spending envisaged in the Senate passed Bill designed by Sen Phil Gramm and Sen Warren Rudman.

"With the votes on Friday night and early Saturday morning the timing of the badly needed increase in the Government's borrowing powers remained unresolved, leaving the Treasury facing a November 15 deadline when it could run out of cash and be forced to default on interest payments on the national debt.

The successful manoeuvring by the Democratic leadership in the House late on Friday means that the prospects for congressional approval of the sweeping Senate approved budget reform package have been dealt a severe blow.

This raises doubts about whether Congress will indeed, as many politicians have predicted, pass some form of budget reform scheme. It may also mean further delays in the progress of the President's tax reform initiative which is now also seen to be in deep trouble on Capitol Hill.

The uphill struggle facing tax reform was underlined late last week when a group of right-wing Republicans in the House issued a statement calling on the President to drop his efforts to secure a major tax reform. Many Republicans have been growing increasingly disillusioned about the White House's tax reform initiative.

The House Ways and Means Committee which has the constitutional right to originate tax bills, has been redrafting the tax plan. In its efforts to forge the political alliances needed to secure House approval of the Bill, the committee has been forced to make concessions to particular interest groups, which have undermined the President's proclaimed goal of making tha tax code more simple, and eroded support for reform among right-wing Republicans who have seen many of their political goals compromised.

The continued uncertainty about the tax and budget outlook will be factors that will have to be taken into account by the Federal Reserve's monetary policy-making Open Market Committee which meets today and tomorrow to chart the course of monetary policy.

The problems facing the economy are underlined today in a widely watched report issued by the National Association of Purchasing Managers.

The report says that in October business maintained the improved level of production achieved in September, adding that its composite index showed that the economy is expanding. But it suggests that production has not accelerated beyond the September level.

CIA 'acts against Gadaffi'

BY OUR WASHINGTON CORRESPONDENT

President Ronald Reagan has authorised covert CIA operations designed to disrupt Libyan leader Muammar Gadaffi's involvement with international terrorism according to a front page report in yesterday's Washington Post.

The report quoted informed Government sources as saying that the covert plan involved CIA assistance to countries in North Africa and the Middle East that opposed the Libyan leader.

The report added that only a narrow majority of the members of the House and Senate intelligence committees supports the covert action. It said that top Administration officials would like to see Mr Gadaffi overthrown but that the covert action was not aimed at assassinating him.

Guatemala hopes poll will herald new era

By David Gardner in Guatemala City

GUATEMALANS went to the polls yesterday in a general election many hope will begin finally to close the bleak chapter of the last 30 years of military or extreme right-wing rule.

The election took place within a context of economic, fiscal and foreign exchange crisis with per capita growth expected to plummet for the fifth year running, and with the country's 25-year-old left-wing insurgency showing renewed vigour in widening the scale and scope of its activities in recent months.

Shrinking budget

The insurgency is the second generation of armed opposition to the regime that emerged following the 1954 CIA-organised coup against the reformist government of President Jacobo Arbenz. This struggle has left an estimated 100,000 dead and led to the militarisation of the country.

Senior officers have come to own large enterprises and land holdings as well as run the economy; spending on the 30,000-trong army dominates a shrinking budget and the country's Mayan Indian majority has been pres ganged into the Civil Defence Patrols (nearly 1m strong in a population of 8m) and herded into over 50 "strategic hamlets," turing tryside into an extended garrison.

Polarisation

The contest has been polarised between the centre right Christian Democrats of Mr Vinicio Cerezo and the self-styled National Union of the Centre of right-wing newspaper publisher Mr Jorge Carpio.

These two had looked certain to go on to a second round of voting on November 8 from a field of eight to the right, and eclipsing Guatemala's most traditional party, the far-right National Liberation Movement led by veteran Mr Mario Sandoval.

Pretoria curbs coverage of unrest

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA has prohibited television, photographic and radio reporting of unrest in areas covered by the state of emergency in a media clampdown aimed at curbing what Mr Louis le Grange Minister of Law and Order, called "the catalytic effect" of coverage of the violence.

Although the electronic media is the main target, the restrictions wil also limit the reporting freedom of newspaper journalists who will have to seek "police assistance" when reporting on township unrest the precise details of what this means still have to be experienced in operation but at the outset of violence over a year ago police co-operation usually meant an offer to report from the back of a police armoured car at a time and place of their choosing.

The Foreign Correspondents Association, which represents the bulk of the 172 officially accredited foreign correspondents here, condemned the latest measures as "a severe form of censorship." It said: "We view the ruling as the beginning of the slippery slide towards a controlled Press."

The restrictions, which came into effect on Saturday night, prohibit reporters from taking any film, photograph or sound recording of "any public disturbance (or person present at a public disturbance), disorder, riot, public violence, strike or boycott or any damaging of any property, or any assault on or killing of any person" without permission from the Commission of Police or person authorised by him.

The ban on television, radio and photographic reporting also covers actions of members of the security forces and makes it an offence to publish, broadcast or distribute any films, pictures or recordings of unrest.

Only officially accredited journalists will be allowed to cover unrest. They will be obliged to seek the assistance of the police and wear their accreditation clearly at all times.

Until now correspondents of all media have been allowed to enter townships as eyewitnesses of the violence which, according to the latest unofficial figures from the South African Institute of Race Relations, has cost 834 lives since the beginning of September.

Using standard journalistic practice correspondents have built up their own network of township contacts. Increasingly in recent weeks however the Governme i, either directly or through leaks in sections of the local Press, has accused unnamed reporters of staging events and of stimulating violence.

The Institute of Race Relations analysis confirms that the death rate in political violence has declined sharply since the introduction of the atate of emergency

● Mr Nelson Mandela, the 67-year-old jailed leader of the banned African National Congress (ANC) was operated on yesterday for an enlarged prostate in a Cape Town hospital, Mr Ismail Ayob, the family lawyer confirmed yesterday. A statement issued after the operation said his condition was stable

Allegations by Mr Malcolm Fraser, the former Australian Prime Minister, that a South African mining house had installed a tear-gas system in black miners' hostels were partially confirmed over the weekend by an Anglo American official.

Mr Fraser, who is one of seven Commonwealth "eminent persons" expected to visit South Africa as agreed by last month's Commonwealth conference, alleged last week that a South African academic had told him about a system which would pump disabling gas through mine ventilation shafts into workers' quarters.

The allegations were angrily denied by the Chamber of Mines, which represents the major mining houses.

On Saturday, however, Mr Peter Gush, the chairman of Anglo American's Western Deep Levels gold mine, confirmed that a tearsmoke system had been installed in the liquor stores, hostel kitchens and hostel administration offices at the mine in 1975 after serious inter-tribal fighting which cost several lives. "The system, which used conventional tearsmoke and was introduced as a precaution to protect lives and property in the event of unrest, has not been used since 1975," he added.

Mubarak attacks US on PLO

BY TONY WALKER IN CAIRO

PRESIDENT Hosni Mubarak of Egypt, on the eve of a visit to Cairo by Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, has denounced American and Israeli attempts to exclude the PLO from the Middle East peace process.

Mr Mubarak used the occasion of a state banquet for President Zia-ul-Haq of Pakistan to reject US policy on the PLO. He said: "We reject all attempts to discard (the PLO) from efforts to reach a settlement, distort its image or minimise its role."

Mr Arafat's planned visit to Cairo, effectively his first full-scale state visit to the Egyptian capital since he was here in November, 1977, shortly before late President Anwar Sadat flew to Jerusalem to make peace with Israel, may signal a new phase in relations between Egypt and the PLO.

The PLO leader has visited Cairo several times since he was ousted from the northern Lebanese city of Tripoli in late 1983 but his stays were brief and did not bave the status of a major diplomatic event.

Mr Arafat, who has been in the Gulf over the weekend, is expected in Cairo early this week for a stay of about 72 hours. The visit has important implications for Egypt, whose policy since the death of Mr Sadat has been to rebuild bridges to the Arah world.

A high-level PLO delegation arrived in Cairo last week to prepare for the Arafat visit. One of the delegation's apparent tasks was to calm Egyptian anger at the PLO's behaviour in the Achille Lauro affair, including reported criticism of Egypt's role by Abu Iyad (Salah Khalaf), one of Mr Arafat's senior aides.

Mr Mubarak, signalling a more aggressive diplomatic posture on the Arab-Israeli dispute, said in his banquet speech: "There can be no comprehensive peace in the Middle East without convening an international peace conference with all parties, with the PLO at the forefront participating."

The US and Israel have been opposed to an international conference as a means of solving the Middle East conflict. Both have rejected dealings with the PLO.

Mr Mubarak charged that unnamed countries, but clearly referring to Israel and the US, were seeking to undermine the PLO. "We hope that those who are embarking on these attempts understand before it is too late the grave consequences and the negative impacts resulting from pursuing this line."

Mr Ahmed Abdel-Rahman, chief spokesman of the PLO, said yesterday Mr Arafat's visit was aimed at "strengthening" relations with Egypt which he described as the "key figure" in the Middle East.

Mr Abdel-Rahman said the visit was also designed to "derail American attempts to exclude the PLO from the peace process and to damage its image."

The visit would be a "turning point" in relations between Egypt and the PLO.

Gulf leaders convene sixth regional summit

By Kathy Evans in Muscat

THE SIXTH Gulf summit convened in Muscat yesterday with the customary luxury and pageantry which marks the meetings of the region's six ruling families.

The summit is being held in the new Bustan Hotel, built at a cost of $220m (£157m) or $850,000 a room. The royal suites are equipped with gold plated taps, room keys and beds measuring over seven foot wide. After the conference they will be closed and kept exclusively for visiting heads of state.

As usual, King Fahd of Saudi Arabia is accompanied by his young grandson, Prince Mohammed, who is under 10. The young prince sat immediately behind the King

Economic affairs and the Organisation of Petroleum Exporting Countries are expected to be among the subjects to be discussed in the summit, and there is speculation that the Gulf leaders will establish a joint insurance company and a bank.

Gandhi returns to old school

By Mani Deb in Dehra Dun, India

MR RAJIV GANDHI, the Indian Prime Minister, visited his old school yesterday and recalled wistfully the times he had spent walking along the foothills of the Himalayas and fishing in the streams.

He was chief guest on the final day of the golden jubilee celebration of the Doon School at the town of Dehra Dun, 150 miles north of Delhi.

Wearing a navy blue blazer with the school crest, the "lamp of knowledge" and flanked by a dozen bodyguards, including one with a sub machine-gun showing from under his coat tails, Mr Gandhi and the headmaster walked briskly to Kashmir House where he stayed while a student between 1955 and 1960. Later he addressed the school and about 5,000 guests and said the visit was "like coming home." He spoke of the way the school had helped him to develop his self-confidence and tha special friendships that the school helped to cement.

By undertaking the visit at great security risk and spending a whole day in the school he was underlining the unique ties that exist between tha old boys of the Doon School.

A year ago to the day he was lighting the funeral pyre of his mother, Mrs Indira Gandhi, who had been shot by extremist Sikhs. Mr Gandhi had brushed aside objections from some that the timing of the visit was wrong. "The golden jubilee celebrates 50 years of camaraderie and achievement," he said.

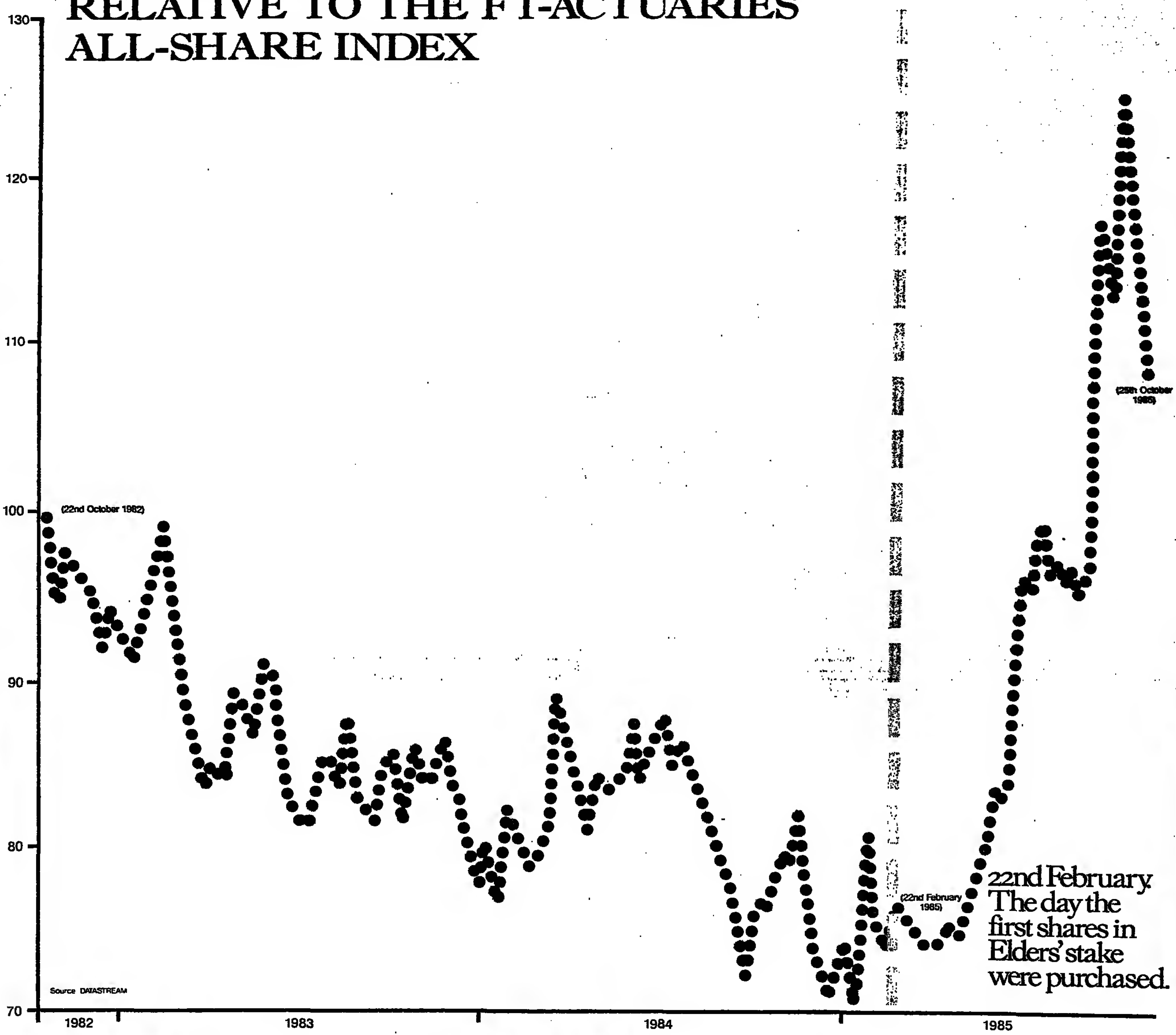
His visit illustrates the strong links the old boys of the Doon School retain through an Old Boys' Society nicknamed Doscos. Detractors refer to the Dosco mafia.

Later in the evening Mr Gandhi met a group of 22 Doscos from Pakistan visiting the school for the first time since the partitioning of India in 1947.

The Doon School was founded by an eminent barrister, Mr Satish Ranjan Das and member of the Viceroy's Executive Council. It was modelled on the English public school system but modified to accommodate the Indian culture. At Doon School the boys learnt that polishing one's shoes and doing manual work was not demeaning.

This advertisement is published by Hill Samuel & Co. Limited on behalf of Elders IXL Limited ("Elders") and IXL. The Directors of Elders and IXL are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Elders and IXL accept responsibility accordingly.

ALLIED-LYONS SHARE PERFORMANCE RELATIVE TO THE FT-ACTUARIES ALL-SHARE INDEX



Who do you think has tipped the balance for Allied shares?

ALLIED-LYONS.
LOOK AT BOTH SIDES. THEN DECIDE.

Elders IXL

WORLD TRADE NEWS

UK and France hit snags in talks on China N-power plant

BY COLINA MacDOUGALL AND ROBERT THOMSON IN PEKING

BRITISH and French negotietors are still far from agreeing to the discounted prices China is demanding for a \$4bn (£2.86bn) nuclear power plant in southern China.

Zheng Tuobin, Chinese Minister of Foreign Economic Relations and Trade, told the Financial Times at the weekend that the difference between China's asking price and the offers for turbines from Britain's GEC and nuclear reectors from Framatome of France is still more than 15 per cent.

Chinese officials confirmed that GEC bas been asked for a discount of 25 per cent and Framatome has been asked for a cut of 20 per cent. British negotiators, including government officials, have returned home in whet has been officially termed a "pause" in talks, while French sources confirm that Framatome will continue discussions into this week.

"We are still hoping that agreement will be reached," Zheng said.

Officials of Guangdong Nuclear, which is overseeing the Chinese side of negotiations for the 1,800 Mw plant at Daya Bay in Guangdong Province, reportedly said that unless agreement was reached during this round of talks, the Chinese would consider offers from other companies.

China has already had contact on possible nuclear co-operation with West Germany's Kraftwerk Union, General Electric and Westinghouse of the U.S., Canada's AEC, end JIF, a Japanese nnclear group.

However, Zheng said, China is still hoping for egreement with the British and French as "it is better not to edopt the practice of international bidding."

The Chinese had boped to complete the plant by 1991, but they consider it unlikely that the target date will be met.

They are also understood to have revised the cost of the plant above the original \$4bn.

But Chinese officials have indicated that they are not pressured by time in the negotiations, which they consider to be open-ended and will make no apecial price concessions.

Chen Zhaobo, the vice minister of nuclear industry. said China is reviewing its nuclear energy programme, which had aimed to have 10 plants with a total generating capacity of 10,000 Mw, constructed by the end of tha century.

Indian gas pipeline attracts four bidders

By John Elliott in New Delhi

A JAPANESE-FRENCH consortium led by Spie-Cabag of France bas submitted the lowest of four bids at about \$600m (£428m) to construct a 1,700km natural gas pipeline diagonally across India from Hazira on the west coast near Bombay to Jagadishpur in the north near the border with Nepal.

The Japanese-French consortium, which includes NKK and Toyo engineering of Japan, will face stiff competition from an Indo-Italian consortium led by Snamprogetti of Milan which is well established in India.

Snamprogetti has priced the work at \$690m but is offering to spend two-thirds of the price on goods and labour with Indian partners incinding Dodsal of Bombey.

A third consortium—led by Nova Corporation International Consultants of Canada and including Majestic Contractors of Canada, Entrepose of France and Birla Engineering of India—has put in the highest bid at \$860m.

The fourth bidder is Condux of Mexico which also includes Hyundi of Korea, Brown and Root Engineering of the US and Essar of Bombay. Its price is believed to be \$625m.

Michael Donne reports that policies leading to cheaper fares are far from accepted

European airlines differ over 'freedom to fly'

THE GULF between the major airlines in Western Europe on future policies for cheaper fares and greater freedom to fly remains as wide as ever after last week's annual meeting of the International Air Transport Association in Hamburg.

It is clear that the UK still has a long, tough fight ahead to achieve the liberalisation it wants.

Both British Airways and British Caledonian Airways made it clear at Hamburg that they were strongly in favour of cheaper fares. They both support strongly the UK Government's approach of seeking bilateral air egreements involving "double disapproval" — that is, where a cheap fare put forward by an airline can only be prevented if both the governments involved reject it. In practice this is rare.

Both BA and BCal made it clear that tha alternative "fares zoning" scheme devised by tha IATA and supported by the Association of European Airlines (AEA), providing for cheaper "discount" and "deep discount" rates below the normal economy fare, does not go anywhere far enough to meet the UK Government's views and the UK airlines' aspirations.

Mr Colin Marshall, chief executive of BA, said many of BA's existing cheap fares already were below the levels of discount and deep discount envisaged in the IATA/AEA scheme. The earlier airline discussions of the AEA in Brussels were "frustrating" and the resulting zoning scheme was "far less radical than had been boped."

British Airways and British Caledonian say IATA's "fare zoning" scheme, providing for cheaper discount rates, does not go far enough to meet the UK airlines' aspirations. Mr Colin Marshall (left), BA's chief executive, says many of BA's cheap fares are already below the discount levels envisaged in the scheme.

The decision by the AEA airlines in Brussels to adopt the fares zoning scheme, be said, had been by a majority vote. Of 18 airlines present, BA, BCal, KLM, Aer Lingus, Swissair and Finnair had voted against. BA had been unable to persuade the other airlines of the need for increased liberalisation and cheaper fares.

BCal, in a direct intervention on the floor of the IATA meeting in Hamburg, went further. Mr Alastair Pugh, executive vice-chairman of the Caledonian Avietion Group, said the IATA/AEA proposals were too limited to satisfy BCal's requirements.

"Furthermore, it is crystal clear that the zone proposals will prove unacceptable to the European Commission, and we, therefore, risk the imposition of their rules, not ours," he said. The EEC is trying to bring air transport under the aegis of the Treaty of Rome and its competition rules.

Mr Pugh argued that if IATA is "seriously committed to supporting flexibility in pricing," the European fares scheme that is advocated "should obviously be broad enough in scope to accommodate a flexible pricing system thet is already in the market." Mr Pugh was alluding to BCal's own Time Flyer cheap fares scheme already in use on the UK-Dutch and UK-Belgian routes, and also from London to Frankfurt, though not in the opposite direction.

BCal urged that the IATA/AEA proposals on fares zoning should be referred back to the IATA executive committee for further review, "so that the required additional flexibility can be introduced."

Whether this flexibility can be achieved remains to he seen. It was stressed privately in Hamburg by several eirline presidents that the IATA/AEA proposals were as far as they were prepared to go at this stage.

Those airline chiefs genuinely believed that the zoning scheme represented an advance, while the UK's own ideas were regarded as so revolutionary as to be unacceptable even to some who favoured cheaper fares and liberalisation.

It was pointed out that some of the smaller countriea in Europe had less immediately exploitable air transport and tourist potential. For these, the UK's proposals, designed for larger markets, were unsuitable.

The IATA/AEA proposals still have to be studied by European governments and the EEC, although the latter has already poured public scorn npon them as being inadequate, while the UK also regards them as second-best.

The next major forum for discussion seems likely to be the meeting of the EEC transport ministers in Brussels in mid-November. At this the UK's arguments for change will probably be supported by the Netherlends, Belgium and Luxembourg, with whom it has the most liberal bilateral air agreements.

There are two other ways in which the UK will continue to pursue its objectives. One is through the European Civil Aviation Conference. ECAC brings together to discuss aviation sffairs over a score of countries throughout Europe.

The other is the direct approach through bilateral negotiations with foreign governments, which has been the most successful method so far. Highly satisfactory pacts have been egreed with the Netherlands, Belgium and Luxembourg and e less far-reaching deal has been made with West Germany.

Talks with the Swedish aviation euthorities get under way this month.

The more the UK is successful in picking off these European countries one by one, the more likely it will be that the IATA/AEA proposals will eventually founder. Even so, it is recognised by both the Department of Transport and the UK airlines that the road ahead is still a long one.

Assault on maritime fraud launched

BY WILLIAM DULLFORCE IN GENEVA

THE FIRST steps have been taken at government level to combat maritime fraud. The crime leads to heavy financial losses for developing countries and Middle East oil producers.

An intergovernmental group meeting in Geneva has commissioned the secretariat of the United Nations Conference on Trade And Development to draw up proposals for improving the information on international shipping available worldwide.

The secretariat will also examine the possibility of replacing bills of lading by sea waybills and suggest minimum standards for shipping agents.

The International Maritime Bureau has calculated that the sums involved in 103 fraud cases it investigated in 1984 amounted to (£187m).

It estimated that altogether losses totalling \$1.5bn could probably be attributed to maritime fraud in that year.

The fraud frequently involves the misuse of commercial contracts and documents and sometimes forgery. In developing countries it is aggravated by the inexperience of buyers and agents and their lack of access to information about shipping.

The intergovernmental group's decision to call on tha Unctad secretariat to propose ways of improving information falls short of the plan for tha establishment of an international ship information registry sought by the developing countries.

A registry, organised as a world data bank for the use of the shipping community as a whole, would provide quick checks on ships, owners and financial performances, the developing countries claimed. The information available at present is scattered among several competing private organisations.

The industrial countries queried the cost/benefit advantages of a registry and suggested that confidential information would not be supplied to a data bank with on-line access.

SHIPPING REPORT

Gulf business provides fillip for tankers

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING MARKETS were quiet last week, though signs emerged of greater strength in tha tanker sector and Cunard provided some activity in second-hand trading by selling its last six refrigerated container ships.

According to E. A. Gibson Shipbrokers, there has been business for tankers of all sizes in the Gulf and only around 12 VLCCs and ULCCs (very larga and ultra large crude carriers) are available there up to mid-November.

Another 12 or so are expected in the second half of the month. If more owners send ships to the Gulf — et least one VLCC came out of its lay-up berth — the rising rate trend could be threatened, Gibson said.

One ULCC of 340,000 tons received Worldscale 26 for e voyage to the West, slightly higher than recent levels. Open market inquiry seemed less than last week, but Gibson noted: "A considerable number of vessels obtained employment, many at undisclosed terms, indicating a greater underlying strength to the market than appears on the surface."

The loosening by tha Organisation of Petroleum Exporting Countries (Opec) of pricing and output restrictions had stimulated greater buying of oil, Gibson said.

The dry cargo sector was flat. The grain rate from the U.S. Gulf to Japan showed no change at around \$13.50 (£9.40) a ton, but rates for coal across the Atlantic to Rotterdam and Dunkirk eased respectively to \$4.25 and \$4.50, said Denholm Coates.

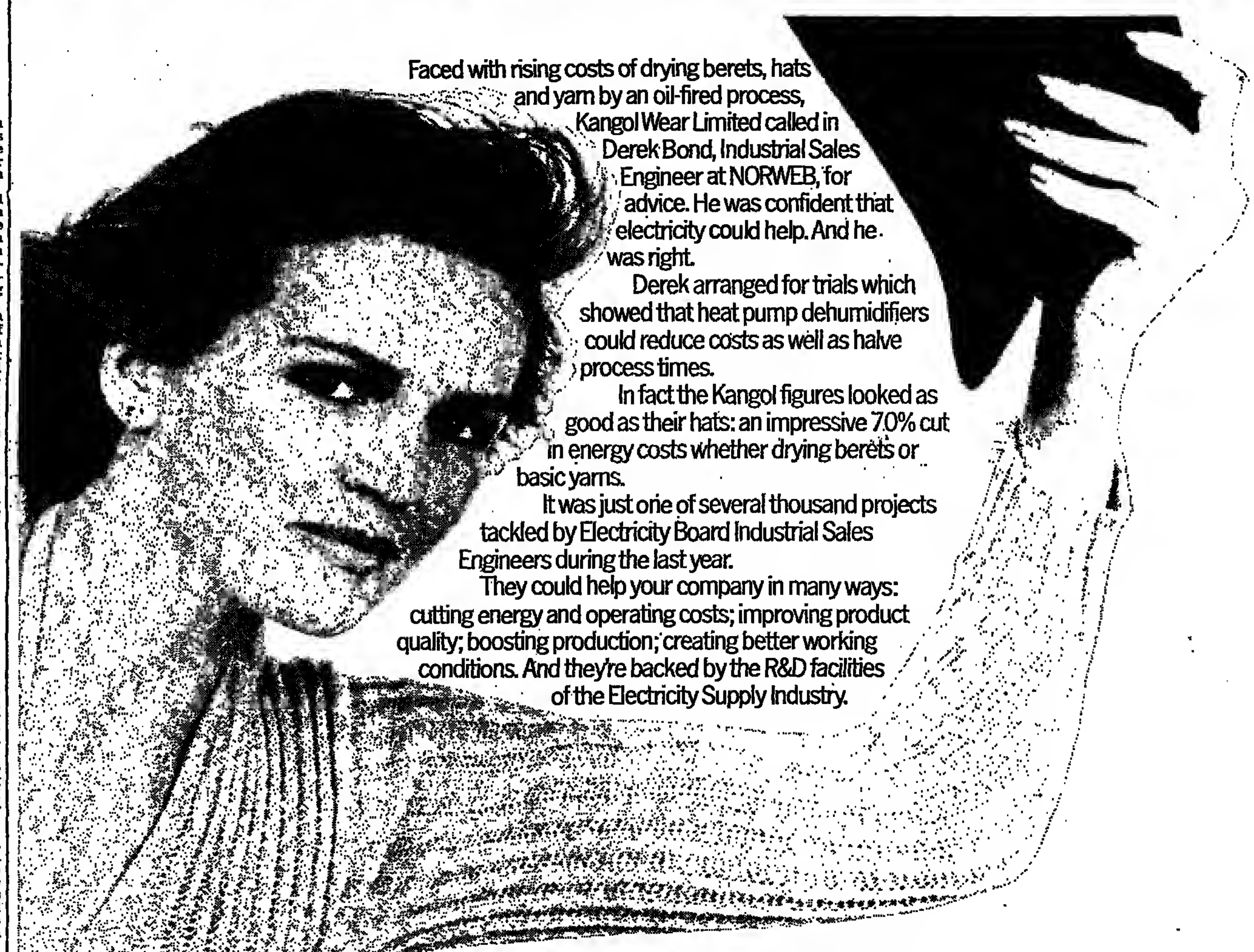
The sale of the Cunard reefer ships took place at the end of the week, with the six vessels going for around \$9m to a London-based Greek company, Cappa Maritime. Cunard, spending £80m on re-engining tha QE2, is now maily e container and cruise ship operator.

World Economic Indicators

UNEMPLOYMENT

		Oct 85	Sept 85	Aug 85	Oct 84
UK	(000s)	3,274.7	3,346.2	3,240.4	3,225.1
	%	13.5	13.8	13.4	13.3
		Sept 85	Aug 85	July 85	Sept 84
US	(000s)	8,274.0	8,127.0	8,451.0	8,370.0
	%	7.1	7.0	7.3	7.4
W. Germany	(000s)	2,251.6	2,216.6	2,221.4	2,143.5
	%	8.4	8.2	8.3	8.0
France	(000s)	2,436.2	2,309.9	2,259.2	2,415.9
	%	10.5	9.9	9.7	10.4
Italy	(000s)	2,894.3	2,854.0	2,891.4	2,678.5
	%	12.7	12.5	12.7	11.7
Netherlands	(000s)	757.6	776.7	760.8	821.4
	%	13.3	13.7	13.4	14.4
Belgium	(000s)	564.0	567.8	554.9	630.7
	%	13.7	13.8	13.5	15.3
		July 85	June 85	May 85	July 84
Japan	(000s)	1,450.0	1,530.0	1,530.0	1,570.0
	%	2.56	2.60	2.54	2.79

Source (except US, UK, Japan): Eurostat



Notice of Redemption

Transamerica Overseas Finance Corporation N.V.

8½% Guaranteed Sinking Fund Debentures Due 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 1,1971, under which the above-designated Debentures are issued, $1,876,000 aggregate principal amount of such Debentures of the following distinctive numbers have been selected for redemption on December 1, 1985 at the redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date of redemption. On or after the redemption date, interest on such Debentures will cease to accrue.

$1,000 COUPON DEBENTURES

[illegible]

The Debentures specified above are to be redeemed for the Sinking Fund at the **Corporate Trust Office of Citibank, N.A., 111 Wall Street, Corporate Trust Services, 5th Floor, in the Borough of Manhattan, the City of New York** or, subject to any laws and regulations applicable thereto, at the main offices of Citibank, N.A. in London (Citibank House) and Frankfurt/Main, the main office of Amsterdam-Rotterdam Bank, N.V. in Amsterdam, the main office of Société Générale de Banque S.A. in Brussels, the main office of Banca d'America e d'Italia in Milan, the main offices of Banque de Paris et des Pays-Bas and Compagnie Européenne de Banque in Paris, and the main office of Banque de Paris et des Pays-Bas pour le Grande Duché de Luxembourg in Luxembourg. Payments by offices outside New York City will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on December 2, 1985. Payment of the redemption price will be made upon presentation and surrender of such Debentures with all coupons appertaining thereto maturing after the date fixed for redemption.

Coupons due December 1, 1985 should be detached and presented for payment in the usual manner.

For TRANSAMERICA OVERSEAS FINANCE CORPORATION N.V.
By: CITIBANK, N.A.
Fiscal Agent

November 4, 1985

Notice

Withholding of 20% of gross redemption proceeds may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) of the Payee. Please furnish a properly completed Form W-9 or equivalent when presenting your securities.

UK NEWS

Tax-cuts pressure on N-plant

BY MAX WILKINSON, RESOURCES EDITOR

THE ELECTRICITY industry is under strong pressure to defer its plans to build e new nuclear power plant at Sizewell, Suffolk, to help make room for tax cuts before the next election.

The Treasury has told the industry it wants an extra £300m in capital repayments this year, which represents an increase of about 25 per cent on the repayments previously envisaged.

Ministers have now agreed that electricity prices – and gas prices – should not be forced up much faster than the rate of inflation. This will limit rises to around 5 per cent next year. To meet Treasury's demand, some extra source of cash will need to be found.

The Treasury has claimed that increased efficiency could push up the electricity industry's surplus. However, this has been disputed by the industry, and the argument has now shifted to the phasing of its capital investment programme.

The controversial Sizewell project, which the Central Electricity Generating Board would like to get moving in the next financial year, is the largest single item of capital investment.

However, this depends on the outcome of the public inquiry under Sir Frank Layfield, who seems to be some way from finishing his final report.

Even when his report is available, ministers will be faced with a difficult political choice: a decision in favour of a pressure water nuclear reactor at Sizewell would revive strong interest among protest and environmental groups. As one official remarked last week: "There are no votes in Sizewell."

Ministers are therefore under a strong temptation to defer the project and to make the cash available for tax cuts in the 1986 and 1987 budgets.

Technically, the Treasury can argue that there is no direct link between the cost of Sizewell and the room for tax cuts. This is because the planning total for all public spending has already been fixed at £139bn for next year (1986–87).

Even though the overall planning total for 1986 is not in doubt, a higher contribution from the electricity industry would leave Mr Nigel Lawson, the Chancellor of the Exchequer, with a larger contingency reserve. This would enable him to be more generous in his assessment of the room for tax cuts.

Ministers are also giving thought to the contribution which British Gas can make to the Exchequer before the next election.

The price from the planned flotation of British Gas next autumn will be closely related to the scope for future price increases.

City rules may cover Lloyd's operations

By John Moore, City Editor

ATTEMPTS may be made in Parliament to bring the Lloyd's insurance market within the scope of the new legislation proposed for the reguletion of London's financial community.

A Bill is due to come before Parliament later this year. Mr Bryan Gould, Labour's deputy spokesman on Trade and Industry, said yesterday that "it is a nonsense that Lloyd's is not brought within the framework of the new legislation." He said that amendments would be tabled during the passage of the Bill to include Lloyd's within the framework, if there were no clauses in the Bill to cover the future regulation of Lloyd's.

It is understood that Lloyd's intends to lobby intensively during the passage of the Bill in order to ensure that it is not included in the legislation.

Last year, Lloyd's said that whether or not it is included in the proposed legislation, "it will be necessary to bear in mind that the investment activities of Lloyd's underwriting agents are very different from those of the investment managers and advisers with whom the legislation is mainly concerned."

Mr Gould argued that with so many types of investment activity being brought within the range of the legislation it did not make any sense to leave an insurance community outside the new framework.

Port employers put up redundancy deal

BY DAVID THOMAS, LABOUR STAFF

THE PORT employers have made an unusual agreement with Crusader Insurance, under which Crusader will offer dockers opting for voluntary redundancy an annuity income if they commute part of their redundancy lump sum.

Many employers advise workers on how to invest redundancy payments, but it is unusual for a large employer to contract out to a specific insurance company the responsibility of offering a financial package to its redundant workers.

The National Association of Port Employers (NAPE) took this approach partly to try to ensure that redundant dockers have an adequate income.

Mr Nick Finney, NAPE director, said: "One of the worries of a man leaving the industry is how he can get a decent income." In the past, some people had gone out and "blown" the lump sum.

The port employers approached about 100 insurance companies of which 30 expressed an interest.

Crusader has guaranteed detailed annuity rates to dockers entering into contracts with it before the end of next January.

After that, NAPE will again ask insurance companies to bid for the chance to provide an industry-wide scheme. This is likely to be repeated every few months.

"Provided we are confident the company is reputable, we will go for one that provides the best rates for the dockers," Mr Finney said.

The employers hope the arrangements, together with recently improved pension benefits, will prove attractive to dockers contemplating leaving the industry. The employers reckon that about 1,500 of the 12,100 registered dockers are surplus.

A leaflet gives dockers examples of how they will be affected. A docker aged 55 who buys an annuity income to mature on his 65th birthday with £15,000 of his £25,000 redundancy pay would receive e net weekly income of £139.70.

This is made up of £78.40 pension and unemployment benefit (the unemployment benefit for the first year only); £44 annuity income; and £17.30 investment income on the remaining £10,000 of his redundancy pay.

About 80 employers in about 20 ports with surplus dockers have been briefed.

The Transport and General Workers' Union is understood to be concerned that the arrangements will give port employers more control over manpower, which is regulated by highly unusual statutory arrangements.

The union also objects to the linking of improved pension benefits, jointly agreed by employers and union, with the new annuity-based redundancy option, which is the employers responsibility alone.

Report lists problems facing state arms group

BY LYNTON McLAIN

THE PRIVATISATION of Royal Ordnance, the state arms and munitions company, will not be possible until the many problems facing the company have been clarified, according to a report from Coopers & Lybrand, chartered accountants.

The problems include uncertainty over government decisions on strategic defence capacity in RO after it is sold to the private sector. RO is the main source of munitions for the UK armed forces.

The Government wants to sell the company with a flotation of shares in June, in between the sales of British Airways and British Gas. Stockbrokers suggest that RO would raise between £190m and £220m.

"There are many problems to be tackled in the run up to privatisation. It will not be possible to resolve all the issues we have commented on in this report. The directors will, however, need to satisfy potential investors that progress is being made," says the report.

RO is confident the shares issue will be a success. Mr Bryan Basset, the chairman, believes the company has immense potential and is determined that many of the changes needed will be made by June.

The management is already tackling some of its problems, especially in management organisation and the search for export markets. Head office staff will be cut from 210 people to about 30 people by late next year.

RO is urged by the report to clarify the Ministry of Defence's plans for government orders for the ordnance factories.

RO is required by the Government to become a fully commercial company ahead of privatisation. The company is prepared to cut capacity to match foreseen demand unless there is an agreement with the ministry on the strategic value of its factories.

Redundancies are inevitable if capacity is cut. This could leave the UK with no strategic surplus capacity for extra munitions and vehicles in wartime.

CBI seeks support for manufacturing sector

BY JOHN LLOYD, INDUSTRIAL EDITOR

BUSINESS wants the Government to be more involved in the job of improving its competitiveness, according to resolutions tabled for the Confederation of British Industry's annual conference in Harrogate in two weeks.

Of the 16 motions selected for debate, three call for more support for, or recognition of, manufacturing industry – a sign of the concern over its decline which has already been expressed by the employers' group.

One of the motions significantly put up by the West Midlands Regional Council "urges industry jointly with government to develop a strategic framework for strengthening the worldwide competitiveness of British companies."

The CBI's long-term concern to raise infrastructure spending is reflected in a motion calling for higher expenditure which "should take place even if it means an increase in total government expenditure."

Interest rates, another CBI chestnut, are invoked in a motion from the Economic and Financial Policy Committee which claims the rates are "damaging industry by discouraging investment and pushing up the value of sterling to the detriment of exports."

The theme of this, the CBI's ninth annual conference, is "change to succeed" – a theme chosen to express the urgency felt by many of the CBI's leading members for more efficiency and dynamism in the face of ever greater international competition.

Almost wholly absent are the once traditional complaints over unions and industrial relations – instead, the evidence of the conference resolutions points to anxiety over the business/Government relationship and over competitiveness.

A motion for debate from the London Regional Council "congratulates the Government on its success in introducing legislation which has prompted realistic attitudes in industrial relations. Conference encourages the Government to produce more legislation."

Only two motions express concern over pay trends: the one selected for debate "urges fellow workers to recognise that nobody owes us a living; that we have no right to expect annual wage increases; and that wage increases cannot be expected to match or exceed inflation as a matter of course."

The CBI's own guideline for pay settlements is around 4 per cent – one which is presently exceeded in most settlements, to growing government concern.

A series of motions are directed at improving industry's own practices – in management, marketing, job creation and employee involvement.

TV-am pressured to go public

BY CHARLES BATCHELOR

TV-AM, the breakfast television channel which has recovered strongly over the past year, is coming under shareholder pressure to go for an early public flotation of its shares.

The company denied yesterday, however, that it has any plans to seek a stock market quotation in the foreseeable future. Although TV-am is now profitable, it has an accumulated deficit approaching £20m from its first disastrous 18 months when it faced collapse.

Mr Timothy Aitken, TV-am's chairman and the owner, together with nther family members, of e 16 per cent stake in the company, is keen for an early flotation of the shares.

Another 31 per cent of TV-am's equity was acquired by United Newspapers, publishers of Punch and the Yorkshire Post, when it won control of Fleet Holdings for £317m last month after a bitter seven-month long takeover battle.

United will not be allowed to retain Fleet's 31 per cent stake in TV-am under the Independent Broadcasting Authority (IBA) rules since it already holds shares in TyneTees and Yorkshire Television.

NOTICE OF REDEMPTION
of

Federative Republic of Brazil

8¼% External Bonds Due December 1, 1987

NOTICE IS HEREBY GIVEN, on behalf of the Federative Republic of Brazil, that on December 1, 1985, [illegible] principal amount of its 8¼% External Bonds will be redeemed out of moneys to be paid by it to Dillon, Read & Co. Inc., as Principal Paying Agent, pursuant to the mandatory annual redemption requirement of said Bonds and to the related Authenticating Agency Agreement and Paying Agency Agreement, each dated as of December 1, 1972. Manufacturers Hanover Trust Company, as Authenticating Agent, has selected, by lot, for such redemption the Bonds bearing the following serial numbers:

Coupon Bonds to be redeemed in whole:

[illegible]

Registered Bonds without coupons to be redeemed in whole or in part and the principal amount to be redeemed:

[illegible]

[illegible]

At the option of the respective holders of the Bonds selected for redemption, the principal amount thereof and interest thereon may be collected upon presentation at the offices of the Co-Paying Agent, Banco Do Brasil, S.A. in New York, London, Paris, Hamburg and Tokyo.

DILLON, READ & CO. INC.
Principal Paying Agent

Dated: November 4, 1985

Notice of Redemption

Union Pacific Finance N.V.

11¾% Guaranteed Bonds due 1988

NOTICE IS HEREBY GIVEN to the holders of the outstanding 11¾% Guaranteed Bonds due 1988 in the aggregate principal amount of Kuwaiti Dinars 7,000,000 (the "Bonds") of Union Pacific Finance N.V. (the "Company") that, pursuant to Condition 5(B) of the Terms and Conditions and Section 3.01(a) of the Indenture dated as of December 1, 1981 between the Company, Union Pacific Corporation, the Guarantor, and Citibank, N.A. (the "Trustee"), the Company elects to redeem all of its outstanding Bonds on December 1, 1985 (the "Redemption Date") at a redemption price equal to 101% of the principal amount thereof plus accrued interest thereon to the Redemption Date.

Payments will be made on and after the Redemption Date upon presentation and surrender of Bonds with coupons due December 1, 1986 and subsequent coupons attached in Kuwaiti Dinars, subject to the provisions of Condition 6(c) of the Indenture, either (a) at the office of the Principal Paying Agent, Kuwait International Investment Co. s.a.k. in Kuwait, or (b) at the main offices of Citicorp Bank (Luxembourg) S.A. (formerly Citibank Luxembourg S.A.) in Luxembourg or Citibank, N.A. in Brussels. Payments at the offices above will be made in Kuwaiti Dinars in Kuwait or by transfer to a Kuwaiti Dinar account maintained by the payee with a bank in Kuwait or by a Kuwaiti Dinar check drawn on a licensed bank in Kuwait, subject in each case to any fiscal or other laws or regulations applicable in Kuwait or in the country of the Paying Agents, as the case may be.

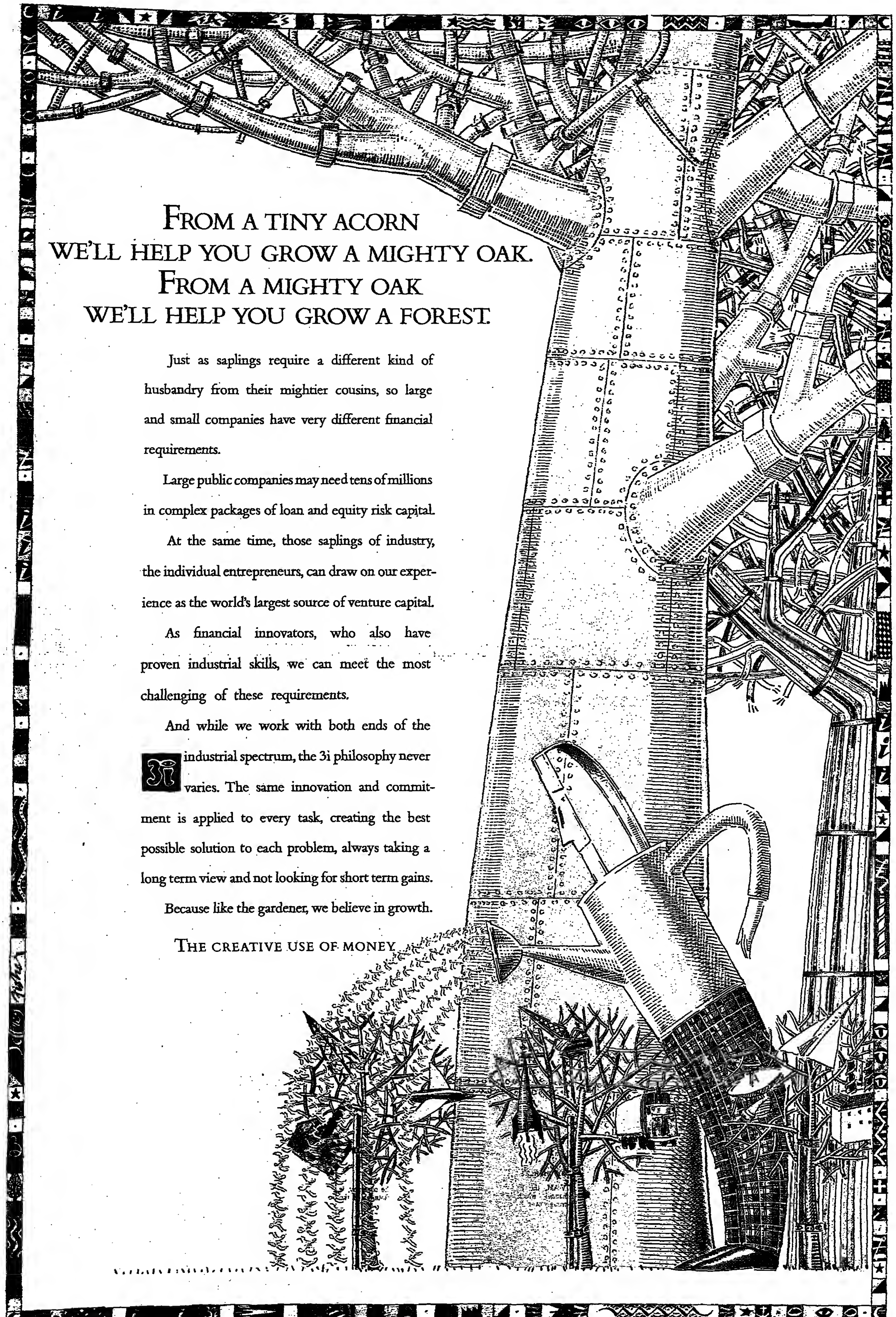
From and after the Redemption Date, the Bonds will no longer be outstanding and interest thereon shall cease to accrue.

Coupons due December 1, 1985 should be detached and presented for payment in the usual manner.

Union Pacific Finance N.V.
By: Citibank, N.A., Trustee

Dated: October 28, 1985

هكذا من الأصل



Renault launches campaign for higher share of UK truck sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT of France is launching an aggressive campaign today aimed at making it a prime contender in the British heavy-truck market.

It has put two more trucks into production at the factory of its UK subsidiary Renault Truck Industries (RTI) at Dunstable, 25 miles north of London, and will sell them from November 11 at prices below those for rival vehicles.

The new British-built heavyweights more than double RTI's coverage of the UK market for trucks of over 16 tonnes gross weight, and the company expects to boost its penetration from 2.7 per cent to at least 6 per cent by the end of 1986.

RTI has been preparing its dealer network for the campaign by establishing 35 of its 64 dealers as heavy-truck specialists.

RTI and the dealers are sharing the cost of the investment programme – for example, the cost of employing specialist sales people and technicians, extra tooling and extensive parts stocks. So far, the company and the dealers have each invested about £2m in the scheme.

Mr Bill Gillibam, RTI's director of commercial operations, admitted to deliberately competitive pricing in a tough market but said the company had been able to undercut its competitors by tailoring the trucks for the UK.

"When we are designing a truck, we not only look at what the market requires technically but also set a price target," he said.

RTI also said productivity at the Dunstable plant equalled that of any manufacturer in Europe and bettered most.

Mr Bill Holmes, the industrial operations director, said that in less than five years, since Renault acquired the former Dodge business in 1981, productivity had improved by up to 33 per cent.

One main contributory factor was the introduction of flexible working at the plant. The production lines of the volume vehicles, the Dodge 100 series and 50 series, are operated by the same workers, alterneting each day. The paint shop operation is similar but on a half-daily basis.

RTI's parent group has spent £40m since 1981 to buy the company and to cover losses.

Since the acquisition all activities have been regrouped at Dunstable. The latest streamlining took place during the past year when labour and machinery were transferred from the nearby Luton factory.

The first Renault-designed heavy trucks went into production at Dunstable in 1983. Renault's entire G range of heavy trucks can carry a "built in Britain" label and share the same tracks as the Dodge 50 and Commando vehicles.

From early next year RTI will start assembling cabs for the B range trucks at Dunstable which will raise the British content of the vehicles, measured by ex-factory value, from 40 per cent to about 60 per cent.

Oil futures market set to be launched

By Richard Mooney

LONDON'S International Petroleum Exchange (IPE) today begins its second attempt at getting a crude oil futures market off the ground with the launch of its index-based Brent blend contract.

The exchange's first attempt at establishing a Brent blend contract collapsed last year, but it believes significant differences in the trading style for the new contract give it a much better chance of success.

It is based on cash settlement, in 1,000-barrel lots valued against an index of 15-day cargoes delivered at Sullom Voe, Shetland. The original contract involved a physical delivery option at Rotterdam.

The main reason for the failure of the old contract was that Brent oil was actually delivered at Sullom Voe in cargoes of at least 500,000 barrels. IPE officials claim the revamped version will provide a more flexible hedging medium for oil companies. It should also be more attractive to investors.

The index on which the contract is based has been published as an experiment for some months.

Mr Michael Bowers, IPE chief executive, says the new contract should complement the New York Mercantile Exchange's successful crude oil futures market, but the two exchanges are bound to be in competition to some extent.

"A cash settlement futures contract in Brent blend will considerably broaden the dimensions of the crude oil market for trading and hedging purposes, while at the same time providing a facility for reducing performance risk in the physical market," according to Mr Bowers.

The IPE has proposals for further oil products futures contracts under discussion. It hopes to start trading in petrol futures and heavy fuel oil of bunker quality some time in 1986. Both would allow physical delivery at Rotterdam, like the exchange's existing gas oil futures contract.

Peter Riddell reports on the battle over Tory policy

Radicals fire their first shots

SHOULD the Conservative Government settle down and avoid controversy in the run-up to the general election, or should it maintain the momentum of radical change? This debate between consolidators and radicals was given a further twist over the weekend.

A group of 13 free market Tory MPs, all but one from the 1983 intake, have produced a pamphlet, "No Turning Back," arguing in favour of further extensions of market disciplines in health, education, housing and employment.

And Mr Nicholas Ridley, Transport Secretary, argued in a speech on Saturday that to combat "false propaganda" about cuts in welfare services the Conservative Party should reconsider its policies, "to embrace radicalism and to think the impossible." For example, he urged further study of a variant of an educational voucher scheme to give parents greater choice about the schools their children attend.

In the past few months, however, the radicals have lost some battles. The Cabinet decided against including in this Wednesday's Queen's Speech a Bill to end rent control on new lettings while proposals for student loans were rejected and put back on the shelf along with education vouchers.

The consolidators – party managers such as Mr John Biffen, Lord Whitelaw and the whips – argue not only that such measures would create parliamentary problems but also that they would be upopular with the electorate.

The radicals challenge this assumption. Mr Michael Forsyth, editor of the new pamphlet, argues that a radical approach would be popular in marginal seats such as his own in Stirling and others represented by many of the authors. On this view, the British people will not re-elect a government which is perceived to have run out of ideas but will welcome increased choice.

The authors seek to reopen the debate about student loans and education vouchers by arguing thet schools and universities should be financed on e per capita basis in response to parental and student choice about whare to go. Similarly, groups of 30 or more parents should be allowed to start their own schools and receive state funding.

The MPs also maintain that ending rent controls on new lettings, but not existing ones, would increase the supply of accommodation and would be popular with the less well-off. The sale of council apartment blocks to tenants' cooperatives is also urged, along with powers to allow contractors to buy derelict estates for renovation over the heads of reluctant local authorities.

The pamphlet, similarly, urges further incentives for private medical insurance and for private takeover of unwanted National Health Service hospitals.

The authors want further moves to encourage self employment and deregulation, coupled with reductions in tax rates and asset sales to finance a cut of 6p in the basic rate of income tax.

The MPs regard themselves as a continuing ginger group to reinforce the radical instincts of Mrs Thatcher and ministers such as Mr Ridley against the consolidators. The pamphlet is in part a first shot in the battle over the next Tory election manifesto.

But the authors also have short-term aims. For example, there may be an attempt to revive the rent decontrol Bill for the 1986-87 session, and a vigorous debate is already starting about whether to raise income tax thresholds or to cut the basic rate.

The new pamphlet also has certain intriguing parallels with one written in 1981, half way through the last parliament, by 13 promising young MPs. That one, "Changing Gear," came from the "wets" and urged expansion. However, five of those authors are now ministers, and two are whips. Two of the writers of the new pamphlet, Mrs Angela Rumbold and Mr Francis Maude, have just joined the Government, and more could be included in the next reshuffle, to maintain the balance between consolidators and radicals.

No Turning Back, price £1.95 from the Conservative Political Centre, 32 Smith Square, London SW1.

Cable group seeks to attract investors

BY RAYMOND SNODDY

BRITISH Cable Services (BCS), the cable television company owned by Mr Robert Maxwell, publisher of The Mirror newspaper, has launched a campaign to attract investors for his cable operations throughout the country.

The aim is to help to pay for the transformation of as many as possible of the 40 existing cable networks into high-technology systems.

It could cost close to £1.2bn to build high-technology systems in as many as 40 towns – a cost which is far beyond the resources of a single organisation.

BCS is hoping to bring investors into the existing networks, which are upgraded relay systems, as soon as possible, to start preparing for the transition from the old to the new.

The company is believed to be talking to a number of potential investors – in areas such as Southampton, where Mr Maxwell has an existing cable network but has also applied for a new technology franchise from the Cable Authority.

Since February, the number of subscribers on Mr Maxwell's cable networks has fallen every week until last month. The total fell below 70,000, but the bottom now seems to have been reached.

For the past three weeks the numbers have been rising, and the aim is to get above 90,000 again by the end of December.

BCS is about to move towards manufacturing System 8, a sophisticated cable switch which allows two-way communication and is necessary for the development of home banking and shopping services.

Mr Chris Medd, managing director of BCS, said yesterday: "The fact that we are able to confirm the tooling-up of components for System 8 is a considerable landmark for BCS."

It means that the first 2,000 homes in the Guildford franchise area, south of London, may now be cabled in the first half of 1986.

Engineering production lower

Financial Times Correspondent

THE OUTPUT of engineering companies in the UK dropped marginally in the three months to August compared with the previous three months.

The latest figures from the Department of Trade and Industry show thet output in mechanical engineering and electrical and instrument engineering dropped by half a per cent. Fourteen of the 25 mechanical engineering industries reported increases in output in the three months to August compared with the preceding three months.

Output in the food and related industries rose by 14 per cent and output in mining machinery rose by 18 per cent in the period.

Eight industries showed decreases in output, including heavy boilers, process plant fabrications and other mechanical marine and precision engineering.

In electrical engineering, only five industries showed rises in output, against 14 industries which reported falls in output and one that remained unchanged.

Pledge to aid small businesses

By James McDonald

GOVERNMENT support for small businesses put at risk by the failure of large companies to settle their bills promptly has been promised by Mr David Trippier, the Small Companies' Minister who is part of Lord Young's team at the Department of Employment.

Mr Trippier has set up a working party – bringing together the Institute of Directors, the Institute of Purchasing and Supply and the Confederation of British Industry – in a joint initiative to establish a code of practice

Delayed settlement of bills by large companies to small ones has been a long-standing complaint by suppliers.

A telephone survey carried out in October for the Institute of Directors – covering a random sample of 200 directors – showed that 77 per cent of the directors said there was a serious problem about prompt settlement of accounts by large companies. Within the inquiry sample, 14 per cent thought there was no problem.

Treasury postpones tax reform Green Paper

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY has put back its plans to publish a Green Paper – a consultative document – on reform of the personal taxation system, possibly until early next year.

Mr Nigel Lawson, the Chancellor of the Exchequer, had intended to present the paper during the autumn, but Whitehall officials say there is now little prospect of it being published this month.

Whether work can be completed in time to issue the paper in December or whether it will be deferred until the new year is likely to depend on how quickly the Government can settle the problems delaying its White Paper (policy statement) on social security reform.

The taxation Green Paper is expected to focus on the Treasury's proposal for a new system of personal allowances to replace the existing structure in the early 1990s. The central element is a plan to introduce allowances which can be transferred between husbands and wives.

The aim would be a relative shift in tax benefits to married couples with only one person earning and away from single people and couples with both partners in work. The Government's view is that this could help to alleviate the "poverty trap" and reduce the incentive for married women to take paid employment.

The Treasury also plans to review in the Green Paper the possible options for an integration of the tax and benefits system although Mr Lawson has already made it clear that he is in principle opposed to such a move.

It is this linkage with the social security system which is thought to have persuaded the Treasury to put off publication until the problems surrounding the White Paper on benefits have been resolved.

Mr Norman Fowler, the Social Services Secretary, had planned to publish that White Paper early this month, but the proposal to phase out the state earnings-related pension scheme (Serps) has met fierce opposition.

Plans for blank tape levy under review

By David Churchill

PLANS to introduce a new levy on blank video and audio tapes are under review in Whitehall after concern that the proposed levy might be seen as an extra tax on consumer spending.

The idea for a 25p levy on blank video cassettes and a 10p levy on blank audio tapes was put forward in a discussion paper published earlier this year on copyright reform. The unauthorised home taping of copyright video and audio material costs the music and film industries many millions of pounds each year in lost sales.

The UK record industry, which has long campaigned for a levy on blank audio cassette tapes, believes that as much as 90 per cent of the 85m blank audio tapes sold each year are used by consumers to record music at home rather than buy prerecorded music records and tapes.

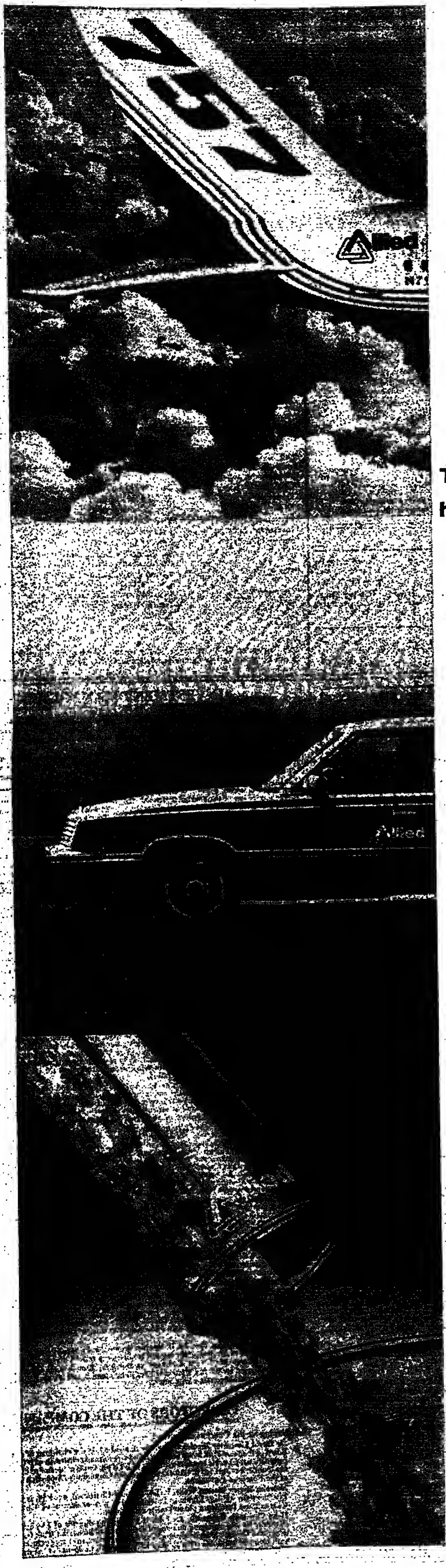
Tape manufacturers, however, believe that a levy could harm sales of blank tapes used for educational and other purposes

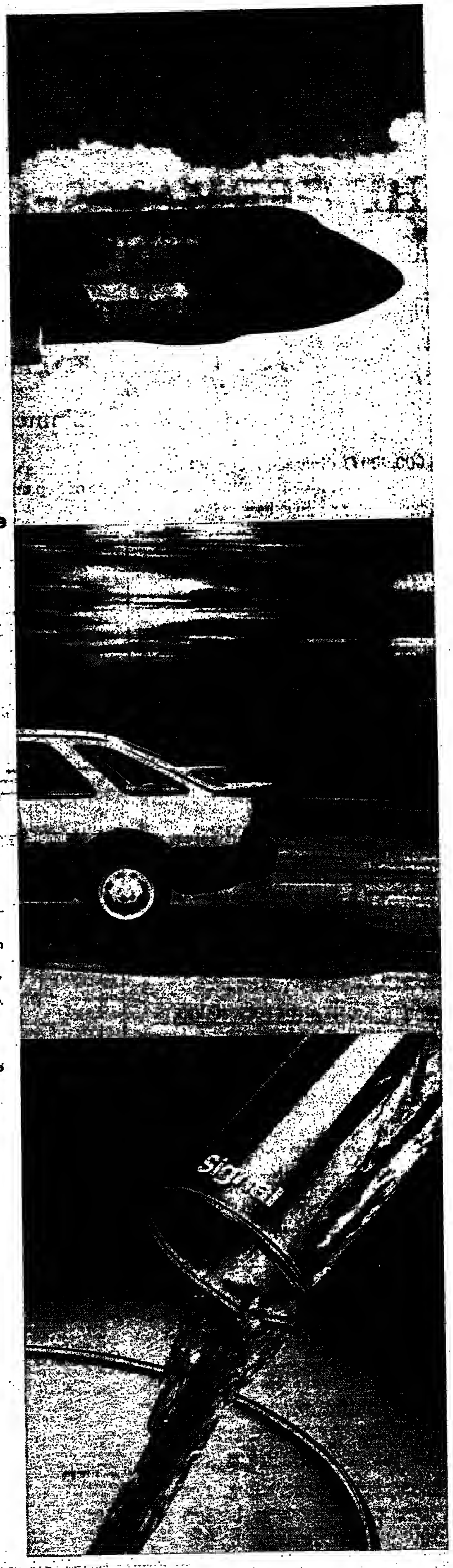
BASE LENDING RATES

Bank	Rate
ABN Bank	11½%
Allied Dunbar & Co	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd	11½%
Barclays Bank	11½%
Beneficial Trust Ltd	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co Ltd	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd	12½%
■ Robert Fleming & Co	11½%
Robert Fraser & Ptrs	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co Ltd	12 %
Lloyds Bank	11½%
Edward Manson & Co	12½%
Meghraj & Sons Ltd	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd	11½%
National Bk of Kuwait	11½%
National Giro Bank	11½%
National Westminster	11½%
Northern Bank Ltd	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co Canada	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

هكذا من الأصل





A copy of this document, which comprises listing particulars with regard to The German Securities Investment Trust plc (the "Company") in accordance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies as required by those regulations. Application has been made to the Council of The Stock Exchange for the Ordinary Shares of £1 each to the Company issued, and to be issued, and the Warrants attached thereto to be admitted to the Official List.

The Directors of the Company, whose names appear below, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

THE GERMAN SECURITIES INVESTMENT TRUST plc

Registered in England under the Companies Act 1985 Registered Number 1948619

OFFER FOR SUBSCRIPTION

sponsored by

Liechtenstein (U.K.) Limited

and

Savory Milln Limited

of

10,000,000 Ordinary Shares of £1 each (with Warrants attached) at par payable as to 50p on application and as to the balance of 50p on 28th February, 1986

The Directors are aware of intended applications for a total of 5,000,000 Ordinary Shares (with Warrants attached) representing 50 per cent. of the issued share capital and Warrants of the Company following the Offer for Subscription, assuming full subscription. Such applications if received will be accepted in full. The minimum subscription level is 5,000,000 Ordinary Shares (with Warrants attached), receipt of which is assured.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Sir David Lancaster Nicolson *(Chairman)* Malcolm Henry Weston Wells *(Deputy Chairman)* Hans Christoph Groscurth (German) Wolfgang Kurt Reuter (German) Sir Frank Kenyon Roberts, GCMG, GCVO Rostislav Romanoff (U.S.A.) Christopher Samuel Tugendhat The addresses of the Directors are set out in paragraph 4 of "General Information" below
Secretary and Registered Office	James Leslie Burchett, FCCA, 1 Devonshire Square, London EC2M 4UJ
Investment Manager	Liechtenstein (U.K.) Limited, 1 Devonshire Square, London EC2M 4UJ
Investment Adviser	Bank in Liechtenstein (Frankfurt) GmbH, Mainzer Landstrasse 5, D 6000 Frankfurt 1, Germany
Stockbrokers	Savory Milln Limited, 3 London Wall Buildings, London EC2M 5PU
Auditors and Reporting Accountants	Arthur Young, Chartered Accountants, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH
Solicitors to the Company and the Offer	Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH
Receiving Bankers	The Royal Bank of Scotland plc, 67 Lombard Street, London EC3P 3DL
Bankers	Liechtenstein (U.K.) Limited 1 Devonshire Square, London EC2M 4UJ
Registrars and Transfer Office	The Royal Bank of Scotland plc, P.O. Box 27, 34 Fettes Row, Edinburgh EH3 6UT

DEFINITIONS

In this document the following expressions shall (unless the context otherwise requires) have the following meaning:

"Company"	The German Securities Investment Trust plc
"Directors"	the directors of the Company
"Ordinary Shares"	ordinary shares of £1 each in the Company
"Investment Adviser"	Bank in Liechtenstein (Frankfurt) GmbH
"Investment Manager"	Liechtenstein (U.K.) Limited
"Savory Milln"	Savory Milln Limited
"Offer"	the offer for subscription of the 10,000,000 Ordinary Shares (with warrants attached) as described herein
"Warrants"	warrants to subscribe for Ordinary Shares at £1 per share exercisable on any one of the dates as set out herein
"Germany"	Federal Republic of Germany
"DM"	Deutsche Marks
"£"	Pounds Sterling
"SFr"	Swiss Francs

Note:
At 3.00 p.m. on 28th October, 1985 the mean of the buying and selling spot exchange rates in the London Foreign Exchange Market was DM3.77 to £1.

PARTLY PAID ORDINARY SHARES

All of the Ordinary Shares now being offered for subscription are being issued paid up as to 50p with the balance of 50p being due on 28th February, 1986.

Once due, such balance represents a debt due to the Company. Failure to pay the balance on the Ordinary Shares renders those shares liable to forfeiture but, notwithstanding forfeiture, the applicant remains liable for all moneys payable in respect thereof at the date of forfeiture regardless of whether or not he has renounced or transferred the right to the Ordinary Shares (with Warrants attached) comprised in the Letter of Allotment unless or until all such moneys have been received by the Company.

The completion and delivery of an Application Form in respect of Ordinary Shares will constitute an undertaking in favour of the Company by the applicant therefor that he will pay the balance due on such Ordinary Shares on 28th February, 1986.

Share Capital

Authorised		Issued and to be issued 50p paid
£12,500,000	Ordinary Shares of £1 each	up to £10,000,000

Successful applicants (or their renouncees) will receive one Warrant for every five Ordinary Shares allotted to them. Each Warrant carries the right to subscribe for one Ordinary Share at £1 per share, which is exercisable on the dates set out herein.

The application list for the Ordinary Shares (with Warrants attached) now offered for subscription will open at 10.00 a.m. on Tuesday, 12th November, 1985 and may be closed at any time thereafter.

The procedure for application and the Application Form are set out at the end of this document.

INTRODUCTION

The Company has been established to be an investment trust with the primary objective of obtaining capital growth through investment in publicly traded securities of German companies.

Germany represents one of the major economies of Western Europe and has been among the most successful during the post-war era. Based upon 1984 figures, the national income of Germany was the largest in the European Community and accounted for approximately 28 per cent. of the Community's total national incomes. The Company offers investors the potential for benefiting directly from further German economic growth through investment in a diverse portfolio of major German companies.

As an investment trust, the Company will not have the disadvantage typical of unit trusts of a fluctuating capital base. Thus it will be possible to adopt a well planned and long term investment policy. The shares of many investment trusts trade at a discount to their underlying net asset values. In an endeavour to maintain the value of the Ordinary Shares as against the net asset value of the Company, the Articles of Association of the Company contain provisions for the winding-up of the Company from 1988 onwards (see "Duration of the Company" below) which would result in a liquidation of the portfolio, and secondly the Directors have decided to offer the Ordinary Shares with Warrants attached. The Warrants will be detachable as from 1st May, 1986 at which time they will be dealt in separately.

The Company will have the benefit of the expert investment advice of Bank in Liechtenstein (Frankfurt) GmbH, which was the first company in Germany to be established with the primary objective of being an investment bank. It has earned a reputation for sound professionalism in all four of its major activities: portfolio management, securities trading, investment research and broking.

Liechtenstein (U.K.) Limited, a company specialising in the provision of financial services for private clients as well as institutions, is the Investment Manager. It is a member of the National Association of Securities Dealers and Investment Managers (NASDIM) and is licensed to take deposits under the Banking Act 1979.

Both the Investment Manager and the Investment Adviser are wholly owned subsidiaries of the Bank in Liechtenstein AG, Vaduz. Bank in Liechtenstein AG is owned by the Prince of Liechtenstein Foundation, which administers the private assets of the Ruling Prince of Liechtenstein built up over the centuries.

Bank in Liechtenstein AG manages substantial funds on behalf of its international clientele and had at 30th June, 1985, the latest date for which published figures are available, paid up capital and disclosed reserves of SFr221 million and total assets employed amounting to SFr3,571 million.

THE GERMAN ECONOMY AND STOCK MARKETS

Germany is the third largest economy in the western world, ranking after the United States and Japan, and since 1945 has proved to be one of the more dynamic and successful. Recent governments have followed a tight fiscal policy, and as a result the budget deficit is currently estimated to be 1.5 per cent. of the GNP which is low in comparison with other major developed economies. The Bundesbank (Germany's central bank) operates as a monetary authority independently of the Government and has implemented a strict monetary policy which has helped to contain the inflation rate at a low level, at present of 1.7 per cent.

In addition to this background of conservative fiscal and monetary policy, the present government has encouraged the growth of industry, which, since 1983, has been experiencing a period of export-led economic expansion. The recent rise in both its domestic investment and consumer demand is expected to contribute to future expansion of the economy.

The GNP of Germany grew in real terms at an average annual rate of 12.3 per cent. in the period 1948–1958, 9.4 per cent. in the period 1958–1972 and 6.4 per cent. in the period 1972–1984. The growth of Germany's GNP since 1976, including the Investment Adviser's estimates for 1985 and 1986, appear in the chart below.

In 1983 and 1984 company earnings grew substantially. The Directors believe that growth should continue in 1985 and 1986, albeit at a somewhat lower rate. The table below illustrates the major company earnings since 1975, as measured by the average earnings of the companies comprising the FAZ Index. This index is produced by the Frankfurter Allgemeine Zeitung, and is based upon the share prices of 100 companies accounting for something in excess of 80 per cent. of the German equity markets' capitalisation.

The Investment Adviser has estimated that the Average Earnings per Share of the FAZ Index for 1985 will be DM 38.29, as shown below. That figure, if achieved, would be an increase of 24.8 per cent. over the corresponding 1984 figure.

Year	Average earnings per share	Percentage growth
1975	DM 14.53	
1976	DM 17.83	+22.7%
1977	DM 16.05	−10.0%
1978	DM 16.82	+ 4.8%
1979	DM 19.72	+17.2%
1980	DM 17.93	− 9.1%
1981	DM 17.75	− 1.0%
1982	DM 19.11	+ 7.7%
1983	DM 25.75	+34.7%
1984	DM 30.67	+19.1%
1985 (estimated)	DM 38.29	+24.8%

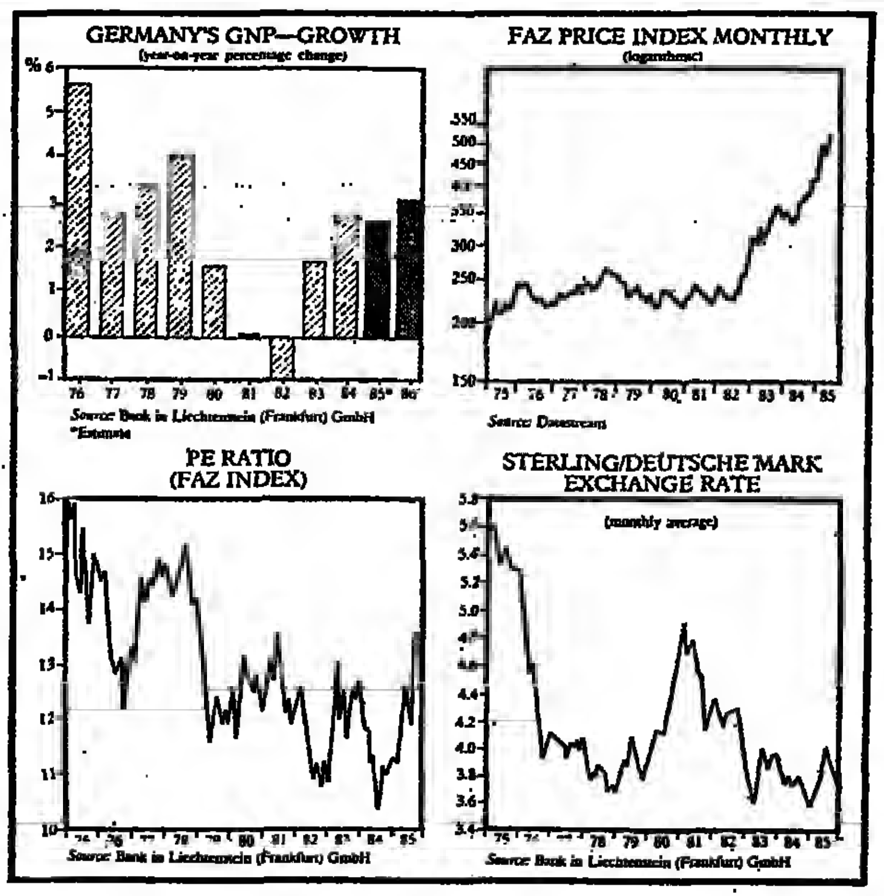
There are eight independent stock exchanges in Germany (Bremen, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart and West Berlin). Frankfurt and Dusseldorf are the two largest exchanges and most of the major companies are quoted on one of these two. At present there are approximately 450 companies listed on the eight exchanges.

Given the strength and size of the German economy, total equity market capitalisation as a percentage of GNP is relatively low, being approximately a third of that of the United Kingdom.

The German stock markets have benefited significantly from an improved economic climate since 1982 as well as from substantial foreign purchases of shares. Net foreign buying of German shares has amounted to DM 7.5 billion in the first eight months of this year according to the Bundesbank figures. The FAZ Index, as set out below, has increased 39.1 per cent. in 1983, 8.3 per cent. in 1984 and in excess of 50 per cent. from 1st January, 1985 to 28th October, 1985. As at 28th October, 1985 the FAZ Index stood at 574.90.

Since 1981 the FAZ Index has been traded consistently at between 10 and 14 times its average earnings per share (see below), and recently the index has continued within this range, albeit at the upper end.

The exchange rate of the Deutsche Mark against Sterling will affect the price of the Company's shares. Germany is a member of the European Monetary System (the "EMS") which, within certain fixed narrow ranges, provides for floating exchange rates between the currencies of its members. The United Kingdom is not at present a member of the EMS and currency fluctuations against the Deutsche Mark frequently occur. Since 1975, as shown below, the Sterling/Deutsche Mark exchange rate has declined from a high of almost DM 5.60 to its level on 28th October, 1985 of DM 3.77.



INVESTMENT POLICY

The principal investment objective of the Company is to achieve capital growth through the investment in publicly traded securities of major German companies. This will mean that the majority of investments will be in companies which are included in the FAZ Index. Investment selection will be based upon the detailed company research of the Investment Adviser.

The investment policy of the Company will be applied flexibly to take advantage of changing market conditions with a view to producing the maximum overall return. The Company has the ability to invest in bonds and other interest bearing securities and will do so when, having regard to market circumstances, the Investment Manager considers it advantageous.

The Company will invest primarily in German companies whose securities are both quoted and for which, in the opinion of the Investment Manager, a sufficiently active market exists. However, within the limits specified below, investments in securities which are unquoted or which are quoted and traded only to a limited extent may be made if, in the opinion of the Investment Manager, the prospects for capital appreciation appear sufficiently favourable. Although it is the intention to invest primarily in securities which are publicly traded on the markets within Germany, the Company may also invest in securities denominated in Deutsche Marks listed on a recognised stock exchange outside Germany, for example Luxembourg.

Borrowings will be used in appropriate circumstances with a view to increasing the overall return of the investment portfolio. This will be attractive when, in the Directors' opinion, capital growth is likely to exceed the net costs of borrowing. The Directors are required by the Articles of Association to restrict borrowings to an amount not to exceed the total of the Company's issued share capital and reserves.

The Articles of Association do not limit the discretion of the Directors as regards investment policy; however, the Directors will ensure that:

(i) not more than 10 per cent. of the assets (before deducting borrowed money) of the Company or, if the Company has any subsidiaries, of the Company and its subsidiaries (valued at the time of the loan or investment) will be lent to, or invested in the securities of any one company (other than those of a company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that its share capital is not yet listed) including loans to or shares in any subsidiary of the Company;

(ii) not more than 25 per cent. of the assets (before deducting borrowed money) of the Company or, if the Company has any subsidiaries, of the Company and its subsidiaries (valued at the time of the investment) will be invested in the aggregate of:

- —securities not listed on any recognised stock exchange, and
- —holdings in which the interest of the Company and its subsidiaries, if any, amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed).

The income of the Company will be derived mainly from securities although interest will be earned on uninvested cash. Uninvested cash will normally be held in Deutsche Marks pending investment or reinvestment, but may also be held in Sterling.

The investment policy, as set out above, will be adhered to for a period of at least three years following admission to the Official List of the Ordinary Shares issued and to be issued.

Where the Investment Manager considers that market conditions are such that it would be prudent to invest in interest bearing securities and the appropriate Deutsche Mark denominated securities are not available on suitable terms, the Company may invest in such securities denominated in other currencies. In such circumstances the exchange risk will normally be hedged to preserve the Deutsche Mark value of the Company's portfolio.

The value of the Ordinary Shares may be expected to fluctuate with the Deutsche Mark/Sterling exchange rate. The underlying basis of the investments will remain in Deutsche Marks; however, if at any time the prospects for the value of the Deutsche Mark appear in the opinion of the Directors to be significantly unfavourable, currency hedging may be undertaken to protect the value of the Ordinary Shares.

INVESTMENT MANAGEMENT

The Directors will be responsible for determining the investment policy of the Company, and for monitoring the performance of the Company's portfolio. The day to day activities of the Company will be carried out by the Investment Manager which will have full responsibility for implementing the Company's investment policy.

Investments will normally be bought or sold after the Investment Manager has consulted with the Investment Adviser which will be responsible for giving to the Investment Manager regular advice on the Company's portfolio and on investment opportunities.

The Investment Manager will also be able to take advantage of investment advice from Savory Milln, who are sponsoring stockbrokers to the Company. Savory Milln are a leading firm of London stockbrokers with a large proportion of their turnover derived from trading in European securities. A subsidiary, Savory Milln International Limited, also operates an international dealership under Stock Exchange Rules specialising in market-making in European securities. They were among the first UK stockbrokers to have such an international dealership.

In this manner the Investment Manager will have continuous access to informed opinions from both London and Frankfurt.

The Investment Adviser is a member of the Frankfurt Stock Exchange, of the Frankfurter Kassenverein (the Frankfurt clearing house for German securities) and of the Auslandskassenverein (the German clearing house for foreign securities). The Investment Adviser was established in 1984 and since then has achieved a reputation as one of the leading investment research institutions operating in the German markets. It is one of the few banks to produce in-depth analyses of individual German companies of the standard and quality demanded in the other international investment centres of the world, such as New York and London. It has been able to attract substantial international funds to its management and has also built up a significant position as a broker. Bank in Liechtenstein (Frankfurt) GmbH is successfully providing investment, broking and research services not only to the individual investor, but also to fund managers and to international brokers. The majority of its business is with international clients, and a substantial part of its international brokerage is with United Kingdom institutions.

The management board comprises five individuals each with considerable experience in a specific field of expertise and is backed by a staff of thirty individuals with experience in the relevant securities markets.

The management board of Bank in Liechtenstein (Frankfurt) GmbH, the Investment Adviser, is as follows:

Alois K. Erbprinz zu Löwenstein, aged 43, is managing director in charge of money market, foreign exchange and lending operations. He was previously a manager of Merck Finck & Co., Frankfurt, private bankers, where he was responsible for the international department, corporate banking and trust business.

Ulrich Fehring, aged 44, is managing director in charge of advisory services for domestic institutions, and private clients and of security dealing. He has twenty three years' experience of the securities business, sixteen of which he spent with Effectenbank Warburg (WAG) and M. M. Warburg-Brinckmann, Wirtz & Co. (WBW). For five years he headed the investment activities of WAG before assuming the same position at WBW. Between 1980 and 1982 he occupied the position of managing director of SMH Investment GmbH. He has also been a member of several advisory committees for public investment funds as well as for insurance and pension funds, including Union-Investment GmbH.

Günter Goldhahn, aged 44, is in charge of administration and operations. He was previously the director heading the securities administration department of Schröder, Münchmeyer, Hengst & Co. in Frankfurt where he was involved in formulating organisation, information and computer strategy. He has also served as a member on various administration committees and as a member on the Computer Committee of The Frankfurt Stock Exchange.

Jochen Sauerborn, aged 42, is in charge of portfolio management. He has worked in the securities business for the last twenty one years, nine of which he spent as head of the foreign securities and portfolio management departments of Westfalenbank AG, Bochum. In 1979 he joined Schröder, Münchmeyer, Hengst & Co. as a director, responsible for the portfolio management and private clients department, and he went on to become managing director of the newly established subsidiary, SMH Capital GmbH, in 1982, taking charge of the entire portfolio management sector of the bank. As a member of the supervisory board of SMH Investment GmbH, he was also responsible for the management of special and mutual funds as well as for investment research. He has served as an adviser on numerous insurance and pension fund committees.

Michael Zapf, aged 41, is in charge of advisory services for foreign institutions and of research. He was previously the director heading the securities advisory department of Schröder, Münchmeyer, Hengst & Co. in Frankfurt. Prior to that, he was a broker for US securities to German institutions. He was with W. E. Hutton from 1972 to 1974, and then with E. F. Hutton, where he was in charge of their Frankfurt office.

The Investment Adviser has designated Mr. Jochen Sauerborn and Mr. Michael Zapf to be the two individuals who will be primarily responsible for providing the advice on its behalf to the Investment Manager. Mr. Wolfgang Reuter who is both a director of the Company and the vice chairman of the Investment Adviser has indicated that he will not have any executive responsibility on behalf of the Investment Adviser in his capacity as such.

The Investment Adviser's research staff includes the following individuals:

Hans-Joachim Pilz, aged 40, is director of research. Prior to joining the Investment Adviser, he had been with the leading German daily financial newspaper "Handelsblatt" for six years, where he was in charge of financial analysis. He played a leading role in developing the newspaper's computerised corporate analysis system. Prior to becoming a financial journalist, he worked as a business consultant and was mainly occupied with company evaluation. He holds a Masters Degree in Business Administration.

Thomas Michaelsen, aged 28, is the chief economist. Prior to joining the Investment Adviser he was assistant to the head of money and credit theory at the University of Göttingen where he was primarily concerned with exchange rate theory, futures and option markets and applied econometrics. He holds a Masters Degree in Economics, and is a specialist on monetary policy in a flexible exchange rate environment.

DIRECTORS OF THE COMPANY

The following are the Directors of the Company:

Sir David Lancaster Nicolson (Chairman), aged 63, is the chairman of the European Advisory Board of the New York Stock Exchange and was formerly chairman of BTR plc and of Rothmans International p.l.c. He remains a director of BTR plc and is a director of other companies. He was the founder chairman of the American European Community Association and is a former Member of the European Parliament.

Malcolm Henry Weston Wells, F.C.A. (Deputy Chairman), aged 58, is a managing director of Liechtenstein (U.K.) Limited. Previously he was chairman of Charterhouse Japhet plc, Charterhouse Petroleum plc and other companies.

Hans Christoph Groscurth, aged 43, is a managing director of Liechtenstein (U.K.) Limited. Formerly he was managing director of Deutsch Skandinavische Bank (Luxembourg) S.A. and a director of Deutsch Skandinavische Bank AG, Frankfurt, in charge of investment banking. He was with Commerzbank AG from 1968 to 1978, of which he spent the last five years in international corporate finance.

Wolfgang Kurt Reuter, aged 58, is vice chairman of Bank in Liechtenstein (Frankfurt) GmbH and was formerly president of Union-Investment GmbH, a leading German investment company and chairman of the Federal Association of German Investment Companies. He is also a director of Mercury Common Market Trust Limited, Mercury Selected Market Trust Limited and Metals Trust Limited as well as of two other Mercury group trusts.

Sir Frank Kenyon Roberts, GCMG, GCVO, aged 78, is a director of Hoechst (UK) Ltd., Mercedes-Benz (UK) Ltd. and Amalgamated Metal Corporation PLC. He is a vice president of the European Atlantic Group, the Atlantic Treaty Organisation and the German Chamber of Commerce. He is a former United Kingdom Ambassador to the USSR and to the Federal Republic of Germany.

Rostislav Romanoff, aged 46, is a graduate of Yale University and University of Chicago Business School. He is general manager of Liechtenstein (U.K.) Limited in charge of investment management and private client services. He was formerly a vice president of The Northern Trust Company, Chicago, Illinois, USA, where he was in charge of the international private banking division.

Christopher Samuel Tugendhat, aged 48, is a director of National Westminster Bank PLC and The BOC Group Plc. He was vice president of the Commission of the European Communities from 1981 to 1984 with responsibility for the budget and financial institutions and was a member of the Commission from 1977. He was a Member of Parliament representing the City of London and Westminster South from 1970 to 1976.

ORDINARY SHARES AND WARRANTS

It is proposed that the Company should raise the sum of up to £10,000,000 (before expenses and commissions) by the issue of up to 10,000,000 Ordinary Shares of £1 each (with Warrants attached) at par payable as to 50p on application and as to the balance of 50p on 28th February, 1986. The Ordinary Shares now being issued will rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company pro rata to the amount paid or credited as paid on the Ordinary Shares.

Successful applicants (or their renouncees) will receive Warrants, each Warrant conferring in respect of every five Ordinary Shares registered in their names, the right to subscribe for one Ordinary Share at £1 per Ordinary Share (subject to the usual adjustments) on 31st January in either of the years 1987 or 1988, or on 31st January in any subsequent year prior to 1991 if a resolution to wind up the Company has not been passed prior to the relevant date in accordance with the procedures referred to under "Duration of the Company" below. Until 1st May, 1986 dealings in the Ordinary Shares (with Warrants attached) will be in multiples of five Ordinary Shares only. Thereafter, Ordinary Shares and Warrants will be dealt in separately. Particulars of the Warrants are set out below.

DIVIDEND POLICY AND ACCOUNTS

The Directors consider that the profit available for dividends will be very limited because the average dividend yield on German equities is approximately 2.6 per cent. per annum and this would be reduced further by expenses of management and certain other charges. Nevertheless, in respect of each accounting period, the Directors intend to retain not more than 15 per cent. of the Company's income derived from shares and securities so as to enable the Company to qualify as an investment trust for United Kingdom tax purposes.

The distribution as dividends of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association.

No dividend will be paid prior to the annual general meeting to be held in December 1986.

The accounts of the Company will be made up to 31st August each year. The first accounts will be for the period from incorporation to 31st August, 1986 and the first interim report will be for the period to 28th February, 1986.

DURATION OF THE COMPANY

The Articles of Association of the Company require the Directors to convene in each year, commencing in 1988, an extraordinary general meeting for the purpose of considering a resolution to wind up the Company, unless at the annual general meeting of the Company held in any such year a resolution is passed releasing the Directors from such obligation. Where such extraordinary general meeting is convened the Articles of Association provide that the shareholders shall be bound to vote in favour of that resolution. If a resolution to wind up the Company has not been passed by August 1995, under the Articles of Association of the Company, the Directors are required to convene an extraordinary general meeting of the Company to be held in January 1996 at which a resolution will be proposed to wind up the Company and the Articles of Association provide that shareholders shall be bound to vote in favour of that resolution.

TAXATION

General

The following information is based on the law and practice currently in force in the United Kingdom and in Germany respectively. If an investor is in any doubt about his taxation position, he should ascertain from his professional advisers the consequences of his acquiring, holding, or disposing of the Ordinary Shares and Warrants.

The Company

The Company will be resident in the United Kingdom for tax purposes and it is the intention of the Directors to ensure that the Company will satisfy the conditions for approval as an investment trust laid down in section 359 (as amended) of the Income and Corporation Taxes Act 1970 and to apply annually to the Inland Revenue for such approval. Such approval is granted retrospectively for each accounting period of the Company and, in respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains.

The Company will be liable to United Kingdom corporation tax on its income after deduction of expenses of management and certain other charges. German withholding tax, currently at a normal rate of 25 per cent., will be deducted from dividends prior to receipt by the Company. Of the amount deducted, two fifths is reclaimable from the German tax authorities and the remainder will be available to reduce the Company's liability to United Kingdom corporation tax on that income either by way of a credit against United Kingdom corporation tax on that income or by reducing the amount of that income.

The Directors consider that the Company will not be a close company immediately following the Offer now being made.

United Kingdom Shareholders and Warrantholders

With regard to dividend income, a shareholder who is resident in the United Kingdom for tax purposes will be entitled to receive an associated tax credit corresponding to the advance corporation tax in respect of such dividend payable by the Company.

With regard to capital gains, shareholders and warrantholders may be liable to United Kingdom taxation in respect of gains arising on the disposal of their Ordinary Shares or Warrants. The following provisions affect the calculation of capital gains:

(a) the cost of subscribing for Ordinary Shares (with Warrants attached) should be apportioned between the Ordinary Shares and the Warrants on the basis of their relative values at the date of allotment of the Ordinary Shares, and those relative values are expected to be close to the relative values of the Ordinary Shares and Warrants on the date when they are first dealt in separately;

(b) the Warrants will not constitute "wasting assets" by virtue of section 138 of the Capital Gains Tax Act 1979 and on their disposal (which includes abandonment) the full cost of the Warrants will be allowed in computing any gain or loss; and

(c) the exercise by a warrantholder of his right to subscribe for Ordinary Shares will not be treated as a disposal of the Warrants. For the purposes of computing any gain or loss on a disposal of such Ordinary Shares, the original cost of the Warrants will be added to the subscription price payable on exercise of subscription rights.

ACCOUNTANTS' REPORT

The following is the text of a report addressed to the Directors of the Company from Arthur Young, Chartered Accountants, the auditors and reporting accountants of the Company:

The Directors,	Rolls House,
The German Securities Investment Trust plc,	7 Rolls Buildings,
1 Devonshire Square,	Fetter Lane,
London EC2M 4UJ	London EC4A 1NH
	4th November, 1985

Gentlemen,

We report that Stanthem Public Limited Company was incorporated on 19th September, 1985 and changed its name to The German Securities Investment Trust plc on 22nd October, 1985. Since incorporation no accounts have been made up and no dividends have been declared or paid.

Yours faithfully,

ARTHUR YOUNG,
Chartered Accountants

PARTICULARS OF THE WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES OF THE COMPANY

1. *Subscription Rights*

(a) A registered holder (a "holder") for the time being of a Warrant (which expression in these Particulars shall, unless the context otherwise requires, include the Certificate therefor) shall have rights ("subscription rights") to subscribe in cash on each "subscription date", being 31st January in either of the years 1987 or 1988 or on 31st January in any subsequent year prior to 1991 if a resolution to wind up the Company has not been passed prior to the relevant date in accordance with the particulars referred to under "Duration of the Company" (or, if later, 30 days after the date in any such year on which copies of the audited accounts of the Company for its then immediately preceding financial year are despatched to shareholders), for, if the later of such dates shall not be a business day, on the next following business day), for the number of Ordinary Shares of the Company specified in the Warrant at the price of £1 per Ordinary Share ("the subscription price"), payable in full on subscription. The number and/or nominal value of Ordinary Shares to be subscribed and the subscription price will be subject to adjustment as provided in paragraph 2(a) below.

(b) In order to exercise the subscription rights in whole or in part, the holder of a Warrant must lodge it at the office of the Registrars of the Company not later than the relevant subscription date, having completed the notice of subscription thereon, (and, if desired, the form of nomination which is available on request from the Registrars of the Company) accompanied by a remittance for the subscription price for the Ordinary Shares in respect of which the subscription rights are exercised. Once lodged, a notice of subscription shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable. The subscription rights will not be exercisable in respect of a fraction of an Ordinary Share.

(c) Nor earlier than eight weeks not later than four weeks before each subscription date the Company shall give notice to the holders of the outstanding Warrants reminding them of their subscription rights.

(d) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date, and certificates in respect of such Ordinary Shares will be issued not later than 28 days after the relevant subscription date to the persons in whose names the Warrants are registered at the date of such exercise, or, subject to payment of the appropriate stamp duty, to such other persons (not being more than 4 in number) as may be named in the relative form of nomination. In the event of a partial exercise of the subscription rights comprised in a Warrant, the Company shall at the same time issue free of charge a fresh Warrant in the name of the holder for the balance of his subscription rights remaining exercisable.

(e) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year current at the relevant subscription date, but subject thereto will rank in full for all dividends or other distributions declared, made or paid in respect of the then current financial year and otherwise pari passu in all respects with the Ordinary Shares in issue at that date: provided that on any allotments falling to be made pursuant to paragraph 3 (f) below the Ordinary Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid on a date (or by reference to a record date) prior to the allotment in respect of the then current financial year.

(f) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 28 days after the relevant subscription date.

(g) Within 7 days following the final subscription date the Company shall appoint a trustee who shall, within 14 days following that date, provided that the net proceeds of any sale would exceed the subscription costs, exercise such subscription rights as have not been exercised and sell the Ordinary Shares acquired on such subscription and, within two calendar months of the final subscription date, distribute the net proceeds less such subscription costs pro rata to the persons entitled thereto: provided that entitlements of £2 or less shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

(a) If on a date (or by reference to a record date) on or before the final subscription date the Company shall allot any fully paid Ordinary Shares by way of capitalisation of profits or reserves, or effect any sub-division or consolidation of its ordinary share capital, the number and/or nominal value of the Ordinary Shares to be subscribed on any subsequent exercise of subscription rights will as from such date (or record date) be increased or, as the case may be, reduced in due proportion and the subscription price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors for the time being of the Company shall certify the appropriate adjustments and, within 28 days thereof, notice will be sent to each holder of a Warrant which will specify the revised basis of subscriptions, fractional entitlements being ignored.

(b) If on a date (or by reference to a record date) on or before the final subscription date, the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3 (f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the date (or record date) of such offer or invitation on the terms (subject to any adjustment pursuant to sub-paragraph 2 (a) above) on which the same could have been exercised on the last preceding subscription date.

3. Other Provisions

So long as any subscription rights remain exercisable:—

(a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares, (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or (iii) on or by reference to a record date falling within the period of six weeks ending on any subscription date make any such offer or invitation as is referred to in paragraph 2 (b) above;

(b) the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class, or create any new class of equity share capital, except for shares which carry as compared with the existing Ordinary Shares no greater rights as regards voting, dividend or capital;

(c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount;

(d) except with the sanction of an extraordinary resolution of the holders of the Warrants, the Company shall not effect any reduction of share capital involving repayment of capital or any reduction of uncalled liability in respect of its share capital or (except as authorised by section 130(2) of the Companies Act 1985 and section 170(3) of the Companies Act 1985 or any statutory amendment or re-enactment thereof for the time being in force) effect any reduction of any share premium account or capital redemption reserve involving repayment or purchase its own shares;

(e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;

(f) if at any time an offer is made to all ordinary shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a general meeting of the Company has or will become vested in the offeror and/or such person or companies as aforesaid, the Company shall give notice of such vesting to the holders of the Warrants within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustment pursuant to paragraph 2 (a) above) on which the same could have been exercised on the last preceding subscription date and so that failing such exercise within such period such rights shall upon the expiry of such period cease and determine: provided that if, during such period, such offeror (and/or such other persons as aforesaid) becomes entitled to exercise rights of compulsory acquisition of Ordinary Shares pursuant to section 428(1) of the Companies Act 1985 (or any statutory amendment or re-enactment thereof for the time being in force) and gives notice in writing to any holders of Ordinary Shares that he intends to exercise such rights, the Warrants shall be and remain exercisable during a period of 30 days from the date of such notice and to the extent that they have not been exercised by the expiry of that period shall thereupon cease and determine. For the purpose of this paragraph the publication of a scheme of arrangement under the Companies Acts providing for the acquisition by any person or persons of the whole or any part of the Ordinary Shares of the Company shall be deemed to be the making of an offer;

(g) if any order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant will (if in such winding up there shall be a surplus available for distribution in respect of each Ordinary Share which, assuming the full exercise of all outstanding subscription rights, exceeds the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustment pursuant to paragraph 2 (a) above) on which the same could have been exercised on the last preceding subscription date, and shall accordingly be entitled to receive out of the assets available in the liquidation pari passu with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price; subject to the foregoing all subscription rights shall lapse on liquidation of the Company;

(h) the Company shall not grant (or agree to grant) any option in respect of or create any rights of subscription for any Ordinary Shares the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (other than the subscription rights covered by the Warrants) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 10 per cent. of the nominal amount of the Ordinary Shares then in issue, nor (except with the sanction of an extraordinary resolution of the holders of the Warrants) will the Company grant (or agree to grant) any option in respect of or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the subscription price for the time being; and

(i) the Company shall not change its financial year-end from 31st August without giving to the holders of the Warrants at least two calendar months' written notice thereof and of the new date to be substituted for 31st January in paragraph 1 (a) above.

4. *Modification of Rights*

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the Warrants. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall mutatis mutandis apply as though the Warrants were a class of share forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third in nominal amount of the Ordinary Shares in respect of which subscription rights remain exercisable, (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe, (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll, (d) if at any adjourned meeting a quorum as above defined is not present, those holders of Warrants who are then present in person or by proxy shall be a quorum and (e) the period of notice shall be at least 21 clear days.

5. *Purchase*

The Company and its subsidiaries shall have the right to purchase Warrants in the market or by tender available to all holders of the Warrants alike or by private treaty at a price not in excess of the average of the middle market quotations for the Warrants taken from The Stock Exchange Daily Official List for the previous 10 dealing days or, in the case of a purchase through the market, at the market price provided that it is not more than 5 per cent. in excess of such average. All Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

6. Transfer

Warrants shall be registered and will be transferable in integral multiples of one Warrant by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

7. General

(a) The Company will, concurrently with the issue of the same to its ordinary shareholders, send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published Annual Report and Accounts of the Company, together with all documents required by law to be annexed thereto, and copies of every statement, notice, or circular issued to ordinary shareholders.

(b) For the purpose of these Particulars, "extraordinary resolution" means a resolution proposed at a meeting of the holders of the Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll; and "business day" means a day on which banks in Scotland are open for business.

(c) If any of the events referred to in paragraphs 2 (b), 3 (f) and 3 (g) above shall occur prior to the first subscription date, the paragraph concerned shall be read and construed in relation to that event as if the words "first subscription date" were substituted for the words "last preceding subscription date".

GENERAL INFORMATION

1. History and share capital

(a) The Company was incorporated in England as a public limited company under the Companies Act 1985 on 19th September, 1985 (registered number 1948619) with an authorised share capital of £100,000 divided into 100,000 Ordinary Shares of £1 each of which two have been issued to the subscribers to the Memorandum of Association and are included in this offer for subscription.

(b) The Company was incorporated with the name Stanthem Public Limited Company. The name of the Company was changed to The German Securities Investment Trust Public Limited Company on 22nd October, 1985.

(c) On 23rd October, 1985 the subscribers to the Memorandum of Association transferred one nil paid Ordinary Share to Liechtenstein (U.K.) Limited ("L(U.K.)") and one to a third person as nominee for L(U.K.) and to L(U.K.) jointly and L(U.K.) agreed to subscribe for a further 49,998 Ordinary Shares of £1 each at par. Such Ordinary Shares were allotted at par to L(U.K.) on a renounceable letter of allotment against payment by L(U.K.) of 25p per share in cash, leaving 75p per share nominal value subject to call. The Company also agreed to issue 10,000 Warrants (to subscribe for Ordinary Shares of £1 each on the terms in "Particulars of the Warrants to Subscribe for Ordinary Shares of the Company" above) to L(U.K.) to be attached to the 50,000 issued Ordinary Shares. The terms of issue of the 50,000 issued Ordinary Shares, which are all included in the offer for subscription and the application moneys relating to which will be accounted for by the Company to L(U.K.), provide that a further sum of 25p per share will be paid by L(U.K.) (or its nominees) to the Company not later than 10.00 a.m. on 12th November, 1985.

(d) On 23rd October, 1985 resolutions of the Company were passed whereby:—

(i) the authorised share capital of the Company was increased to £12,500,000 by the creation of a further 12,400,000 Ordinary Shares of £1 each;

(ii) the Directors were, pursuant to section 80 of the Companies Act 1985, given authority and empowered, in accordance with section 95 of that Act as if section 89(1) thereof did not apply, to allot and to make offers or agreements to allot relevant securities up to the amount of the increased authorised share capital (both such authorities expiring at the conclusion of the first annual general meeting of the Company); and

(iii) the Company amended clause 4 of the Memorandum of Association.

(e) On 31st October, 1985 a resolution of the Company was passed whereby the Company adopted new Articles of Association.

(f) On 25th October, 1985 the Company obtained a certificate under section 117 of the Companies Act 1985 authorising it to commence business.

(g) Save as disclosed in paragraph 3 below:—

(i) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company; and

(ii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

(h) Following the completion of this offer for subscription 6,500,000 Ordinary Shares could remain unissued.

(i) Save as disclosed above no issues of share capital have been made by the Company.

2. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an investment trust company, and to invest the capital and other moneys of the Company in the purchase or upon the security of shares, stocks, debentures, debenture stocks, bonds, traded options, bills, certificates, notes, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature and wheresoever constituted or carrying on business, and shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, currency, mortgages, obligations and securities of any kind issued or guaranteed by any government, state, dominion, colony, sovereign ruler, commissioners, trust, public, municipal local or other authority or body of whatsoever nature, whether at home or abroad and units of and other rights in unit trusts, mutual funds, collective investment undertakings and other bodies and entities and to purchase, sell or deal in any financial future contracts of any kind. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at either of the addresses specified in paragraph 8 below headed "Documents available for inspection".

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:—

(a) *Voting*

Subject to disenfranchisement of a member in the event of non-payment of any calls or other moneys due and payable in respect of any shares or non-compliance with a statutory notice requiring disclosure as to beneficial ownership and subject to any special terms as to voting on which any shares may be held, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for every share held by him.

(b) *Borrowing powers*

The Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to section 80 of the Companies Act 1985, to issue debentures, debenture stock and other securities whether outright or as a collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries only so far as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Company and its subsidiaries (other than from any of such companies) shall not, without the previous sanction of an ordinary resolution of the Company, exceed the aggregate of the amount paid up on the issued share capital for the time being of the Company and the amount standing to the credit of the revenue and capital reserves of the Company and its subsidiaries (all as set out in the Articles of Association).

(c) *Capital reserve fund*

Every profit resulting from any dealing with, valuation or revaluation of any capital asset of the Company or of any liability of the Company incurred in the acquisition or financing of a capital asset and all other profits which are of a capital nature and all other monies in the nature of accretion to capital shall be credited to a capital reserve fund to be maintained by the Company. Every loss resulting from any such dealing, valuation or revaluation as aforesaid or any other loss which is of a capital nature may be charged against such capital reserve fund or against any other funds of the Company. The sum standing to the credit of the capital reserve fund shall not in any circumstances be available for distribution but subject as aforesaid may be employed and dealt with in such manner as the Directors think fit.

(d) *Variation of rights*

All or any of the rights or privileges attaching to any class of share may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares.

(e) *Directors*

(i) The minimum number of Directors is two and the maximum ten.

(ii) No share qualification shall be required.

(iii) Subject to the provisions of the Companies Act 1985, the Directors may from time to time appoint one or more of their number to the office of Chairman, Managing Director or any other office on such terms as they think fit and, subject to the terms of any contract between him and the Company, may at any time revoke any such appointment. A Director appointed as Chairman or as Managing Director shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the rotation or retirement of Directors. At each annual general meeting one-third of the Directors who are subject to retirement by rotation (or the number nearest to but not exceeding one-third) shall retire by rotation.

(iv) Subject to the provisions of the Companies Act 1985, a Director may hold any other office or place of profit under the Company (other than that of auditor) in conjunction with his office of Director for such a period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director is disqualified by his office from contracting with the Company or is liable to account to the Company for any profit realised by any such contract by reason of such Director holding that office.

(v) The remuneration of the Directors shall not in aggregate exceed £20,000 per annum, in such proportion as may from time to time be decided by resolution of the Board, or such greater amount as shall be determined by ordinary resolution of a general meeting of the Company. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all reasonable expenses properly incurred by them in attending meetings of the Directors, any committee of the Directors, general meetings or separate meetings of the holders of any class of shares or otherwise in or about the business of the Company.

(vi) Any Director who upon request performs any extra or special services or goes or resides abroad for any purpose of the Company shall be entitled to receive such sum for expenses and such remuneration as the Directors may think fit, either in addition to or in substitution for any other remuneration he may be entitled to receive.

(vii) Save in relation to certain specific exceptions provided in the Articles of Association (namely concerning the giving of security in respect of money lent by a Director or obligations undertaken by him for the benefit of the Company or in respect of a debt or obligation of the Company for which he assumed responsibility under a guarantee or indemnity or by the giving of security, any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company, any contract by a Director to underwrite shares, any contract with any other company where the Director's interest does not exceed 1 per cent. of any class of equity share capital or of the voting rights available to members, proposals concerning a pension scheme approved by the Inland Revenue or any matter connected with an employee share scheme approved by the Inland Revenue other than the grant of any option or allocation of any shares or any other matter concerning his individual participation), a Director shall not vote on any resolution or be counted in the quorum present at a meeting to consider any resolution in regard to any contract, arrangement or proposal in which he has a material interest. Subject to the provisions of the Companies Act 1985, the Company may by ordinary resolution suspend or relax such provision to any extent or ratify anything not duly authorised by reason of such provision.

(viii) No person shall be disqualified from being appointed a Director and no Director shall be required to vacate his office by reason only of the fact that he has attained the age of 70 years or any other age, nor shall it be necessary to give special notice or comply with any other special formality in connection with the appointment of a Director over a specified age save that in the case of the appointment of a Director who has attained the age of 70 his age shall be stated in the notice convening the general meeting (or in any accompanying document) at which he is proposed to be elected or re-elected.

(ix) The Directors on behalf of the Company may pay a pension, annuity, allowance, gratuity or other benefit to any Director or employee who has held any salaried office or place of profit with the Company or any subsidiary of or any company associated with the Company, or business acquired by, any of them or to his relatives or dependants and may make contributions to any fund and pay premiums for the purchase or payment of any such pension, annuity, allowance or gratuity and may make payments for or towards the insurance of any person.

(f) *Issue of securities*

Subject to the provisions of the Companies Act 1985, the Directors may allot, issue, grant options over, issue warrants to subscribe for or otherwise dispose of the unissued shares of the Company to such persons, at such times and upon such terms and conditions as they may determine, unless the Company in general meeting shall otherwise resolve.

(g) *Transfer of shares*

The Ordinary Shares are in registered form and may be transferred by instrument of transfer in any usual or common form or in such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, shall be executed by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. The Directors may in their absolute discretion and without giving any reason refuse to register a transfer of any share which is not fully paid, or of any share to more than four transferees.

(h) *Dividends and distribution of assets on liquidation*

The holders of the Ordinary Shares are entitled pari passu amongst themselves in proportion to the amount paid on Ordinary Shares held by them to share in the whole of the profits of the Company paid out as dividends (which shall exclude all profits arising from any dealing with, valuation or revaluation of investments or other capital assets) and the whole of any surplus in the event of the liquidation of the Company.

(i) *Unclaimed dividends*

Any dividend unclaimed for a period of 12 years after having been declared may be forfeited by, and shall thereupon revert to, the Company.

(j) *Duration of the Company*

The Directors are required to convene an extraordinary general meeting of the Company to be held in January 1996 at which a resolution will be proposed to wind up the Company; the holders of Ordinary Shares are bound to vote in favour of such a resolution. In addition the Directors are required to convene annually (commencing in 1988) an extraordinary general meeting for the purpose of considering such a resolution unless at the annual general meeting of that year a resolution is passed releasing the Directors from such obligation.

(k) *Calls on shares and forfeiture*

(i) The Directors may from time to time by resolution make calls upon the members in respect of any moneys unpaid on their shares (whether on account of nominal value or premium). Each member shall, subject to receiving at least 28 days' notice from the Company specifying the time and place of payment, pay to the Company at the time and place so specified the amount called on his shares.

(ii) The Directors may if they think fit receive any payment in advance of a call and may pay interest thereon at such rate not exceeding the appropriate rate (as defined in the Companies Act 1985) as may be agreed between the Directors and the member.

(iii) Any sum called in respect of a share which is not paid on or before the date for payment shall attract interest from that date until the time of actual payment at such rate as the Directors may determine but not exceeding 17 per cent. per annum.

(iv) In the case of joint holders, their liability to pay a call and interest thereon shall be joint and several.

(v) The Company shall have a first and paramount lien on every partly paid share for all moneys called in respect thereof.

(vi) If a member fails to pay the amount of a call on the due date for payment, the Directors may at any time thereafter serve on him not less than 7 days' notice requiring payment thereof, together with accrued interest, at such place as is specified in the notice which shall also state that in default the shares in question will be liable to be forfeited.

(vii) If the requirements of the last mentioned notice are not complied with, the relevant shares may at any time thereafter, before payment has been made, be forfeited by resolution of the Board whereupon they may be sold, re-allotted or otherwise disposed of to such person and on such terms as the Directors think fit.

(viii) A person whose shares have been forfeited shall cease to be a member in respect of those shares but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys payable by him to the Company including interest.

3. Agreement with Liechtenstein (U.K.) Limited, expenses of issue and net proceeds

By an offer for subscription agreement dated 4th November, 1985 and made between the Company, its Directors, Bank in Liechtenstein (Frankfurt) GmbH, L(U.K.) and Savory Milln, L(U.K.) has agreed, conditionally upon the admission to the Official List of The Stock Exchange of the Ordinary Shares and the warrants, issued and now being issued, becoming effective not later than 14th November, 1985, to subscribe or procure subscribers for 5,000,000 Ordinary Shares (with Warrants attached) and to use reasonable endeavours to procure subscribers for the balance of 5,000,000 Ordinary Shares (with Warrants attached). The agreement contains certain warranties and indemnities given by the Directors, the Company and Bank in Liechtenstein (Frankfurt) GmbH and may be rescinded by L(U.K.) in certain exceptional circumstances. Under this agreement the Company will pay to L(U.K.) or Savory Milln a commission of 2 per cent. (plus Value Added Tax) of the subscription price of the Ordinary Shares allotted to persons who have already indicated to L(U.K.) or Savory Milln respectively their intention to apply for shares, one half of which commission will be paid to such persons. A commission of 1 per cent. (plus Value Added Tax) will be paid by the Company to recognised banks, stockbrokers, solicitors, accountants and other recognised financial intermediaries, on applications (to the extent that they are accepted) bearing their stamp and value added tax registration number (if applicable). This commission will not however, be paid in respect of allocations made to persons who have already indicated to L(U.K.) or Savory Milln their intention to apply for shares to the extent that they so apply. The Company has also agreed to pay a fee to L(U.K.) of £75,000 (plus Value Added Tax) and a fee to Savory Milln of £25,000 (plus Value Added Tax) and all other costs and expenses of and incidental to the issue (excluding any applicable Value Added Tax) including the expenses of printing, advertising, circulating this offer for subscription, registrars' charges, listing fees, the receiving bankers' charges and fees of the reporting accountants and of the solicitors. These commissions, fees and expenses are estimated to amount to approximately £400,000 (excluding Value Added Tax). After meeting these commissions, fees and expenses, together with capital duty at 1 per cent. of the subscription price of the Ordinary Shares allotted pursuant to this offer for subscription, the net proceeds of the issue, which will be available to the Company for investment, are expected to be between £9,450,000 (assuming full subscription) and £4,550,000 (assuming the minimum subscription of 5,000,000 Ordinary Shares) once the Ordinary Shares have been fully paid up. The balance of the amount payable on each Ordinary Share is 50p and is payable on 28th February, 1986.

4. Directors' and other interests

(a) The Directors, whose names are set out in "Directors of the Company" above, all of whom are non-executive, may be contacted, in the case of Messrs. Wells, Groscurth and Romanoff, at 1 Devonshire Square, London EC2M 4UJ, and in the case of the other Directors, as follows:—

Sir David Nicolson:	Howicks, Dunsfold, Surrey
Wolfgang Reuter	Gueldensollerweg 44, D-6380 Bad Homburg, Germany
Sir Frank Roberts:	25 Kensington Court Gardens, London W8
Christopher Tugendhat:	35 Westbourne Park Road, London W2

(b) The Directors, including their immediate families, intend to acquire beneficially the number of Ordinary Shares (with Warrants attached) set out below:—

Name of Director	*Number of Ordinary Shares*
Sir David Nicolson	5,000
Malcolm Wells	5,000
Christopher Tugendhat	2,000
Sir Frank Roberts	1,000
Rostislav Romanoff	1,000

At the date of this document, neither the Directors nor their immediate families have any interests in the ordinary share capital of the Company.

(c) No Director has any service agreement with the Company.

(d) Save as disclosed in paragraph 5(d) below, there are no transactions which have been entered into by the Company since incorporation in which any of the Directors is interested and which are or were unusual in their nature or conditions or significant in relation to the business intended to be carried on by the Company.

(e) The promoters of the Company are L(U.K.) and Savory Milln. No amount or benefit has been given to any such promoter since the incorporation of the Company and, save as described in paragraphs 3 and 5(b), none is intended to be paid or given, other than as lawful brokerage fees.

(f) The Directors are aware of the following interests which, immediately following the offer for subscription, will, or may, depending on the level of applications, amount to 5 per cent. or more of the Ordinary Shares of the Company, assuming the issue to be fully subscribed:—

	Number of Ordinary Shares
Bamford Brandt Limited	500,000
BiL Securities Limited	2,500,000
Cavispen Investments Limited	750,000

Save as disclosed above, the Directors are not aware of any other person who, following the offer for subscription, would be required to disclose an interest in the ordinary share capital of the Company under Part VI of the Companies Act 1985.

(g) The aggregate of the remuneration of the Directors will be £17,500 per annum and the Directors will receive no other emoluments.

5. *Material Contracts*

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:—

(a) the offer for subscription agreement referred to in paragraph 3 above;

(b) the management agreement dated 4th November, 1985 between the Company and L(U.K.) in respect of the provision of investment management services to the Company for a quarterly fee of 0.25 per cent. of the value of shareholders' funds (which are defined therein) such fee being payable quarterly in arrears. The agreement contains provisions indemnifying L(U.K.) against any liability not due to its negligence, wilful default or breach of duty. The agreement is terminable by 3 months' notice given by either party to the other;

(c) the investment advisory agreement dated 4th November, 1985 between the Company, Bank in Liechtenstein (Frankfurt) GmbH and L(U.K.) in respect of the provision of investment advisory services by Bank in Liechtenstein (Frankfurt) GmbH to the Company and to L(U.K.) in connection with the Company's investment portfolio, any fee to be agreed from time to time and to be payable by the Company. The agreement is terminable by three months' written notice given by any party to the other two parties.

6. *Taxation of dividends and distributions*

(a) Under current United Kingdom tax legislation, the payment of a dividend by the Company will give rise to a liability to account to the Inland Revenue for an amount of advance corporation tax (ACT) at a rate which is currently 3/7ths of the dividend paid. Consequently, the ACT liability with respect to a dividend currently equals 30 per cent. of the total of the dividend and associated tax credit. The amount of any tax credit attaching to dividends received by the Company from United Kingdom resident companies may be set against the Company's liability to ACT. For shareholders resident in the United Kingdom, an amount equal to the ACT liability in respect of the dividend received by them is available as a tax credit, which individual shareholders who are so resident may set off against their total incurred tax liability or, in appropriate cases, reclaim in cash. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received. Persons should consult their own tax advisers about their personal positions and the possibility of claiming tax credits equivalent to the ACT paid on the dividend.

Whether a shareholder who is resident in a country other than the United Kingdom is entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on his shares depends upon the provisions of any double tax convention or agreement which exists between that country and the United Kingdom.

Persons who are not resident in the United Kingdom should also consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and as to the relief or credit which may be claimed in the jurisdiction in which they are resident.

(b) In the event of a winding up of the Company the Directors have been advised that, under present law, the receipt of distributions in the liquidation of the Company would normally give rise to a disposal or part disposal of shareholdings in the Company for the purposes of United Kingdom taxation of capital gains.

7. General

(a) The Company has not since its incorporation been engaged in and is not currently engaged in any legal or arbitration proceedings nor, so far as the Directors are aware, are there any legal or arbitration proceedings pending or threatened against the Company.

(b) At the date hereof the Company has no loan capital (whether issued or created but unissued) term loans (whether or not guaranteed or secured), or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.

(c) There has been no significant change in the trading or financial position of the Company since its incorporation.

(d) Arthur Young have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of the Accountants' report set out above in the form and the context in which it is included.

(e) It is the intention of the Directors so to conduct the affairs of the Company that it satisfies the requirements for qualification as an investment company laid down in section 266 of the Companies Act 1985; the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that section.

(f) The principal place of business of the Company is at 1 Devonshire Square, London EC2M 4UJ. The Company does not have and has not had since its incorporation any employees. The Company has no subsidiaries.

(g) Each dividend on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be 4 to 6 weeks before the date of payment.

(h) If 10 per cent. or more of the voting capital of the Company should remain unissued following the offer for subscription made herein, (disregarding the shares reserved for issue against exercise of the Warrants) no material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year without prior approval of the shareholders of the Company in general meeting.

(i) The Directors are of the opinion that, having regard to the net proceeds of the proposed offer for subscription, the Company will have sufficient working capital for its present requirements.

8. *Documents for inspection*

Copies of the following will be available for inspection at the offices of Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH and at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) for 14 days after publication of this document:—

(a) the Memorandum and Articles of Association of the Company;

(b) the report from the Auditors set out above;

(c) the material contracts referred to in paragraph 5 above;

(d) the consent referred to in paragraph 7(d) above.

Dated 4th November, 1985

TERMS AND CONDITIONS OF APPLICATION

1. The contract created by acceptance of applications in the manner herein set out will be conditional upon all the partly paid Ordinary Shares of £1 each and Warrants in The German Securities Investment Trust plc (the "Company"), issued and to be issued, being admitted to the Official List of The Stock Exchange and such admission becoming effective in accordance with The Stock Exchange's rules not later than 14th November, 1985 subject only to posting Letters of Allotment. If Liechtenstein (U.K.) Limited rescinds the offer for subscription agreement in accordance with its terms, the said contract will also be rescinded without liability. Application moneys will be returned (without interest) if such permission does not become effective by that date or if such rescission occurs and, in the meantime, will be retained by The Royal Bank of Scotland plc in a separate account.

THE GERMAN SECURITIES INVESTMENT TRUST

Continued over page

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Len Peach: says he has "an open mind" on most of the contentious issues that will cross his desk

A private focus on staffing a public service

David Thomas talks to the first personnel director of Britain's NHS

TODAY Len Peach moves into the largest and one of the toughest personnel jobs in Europe as the first personnel director of the UK's National Health Service.

The first occupant of this slot would be interesting irrespective of background. But Len Peach's appointment is doubly intriguing because he is moving on three-year secondment from the aggressively commercial atmosphere of IBM, where he has been personnel director of IBM's British subsidiary since 1971.

In its own way, appointing a top IBM executive to improve the performance of the health service—which employs some 1m people—is as dramatic an example of the Government's faith in private sector disciplines as sending Ian MacGregor to sort out the National Coal Board.

There are, by most accounts, major savings to be made if the health service could he run more efficiently. In a report this summer, Sir Gordon Downey, Comptroller and Auditor General, wrote that millions of pounds could be saved simply by the more efficient deployment of nurses.

The key response to this perceived need for more efficiency has heen to follow the recommendations of the Griffiths report in sppointing hundreds of new managers, many drawn from outside the health service. Brooding over this new structure will be the NHS Management Board, on which Peach will sit.

There are doubts about what all this means for the health service. The National Union of Public Employees, which organises ancillaries and other health service wurkers, described Pesch's appointment as "had news." Nupe pointed to IBM's tradition as a non-union company, end said that, in its view, Peach had been appointed to push privatisation, to weaken collective bargaining and to keep pay awards within government cash limits.

The Royal College of Nursing reacted more cautiously. Describing his eppointment es "interesting," the college said it hoped Peach would recognise the need to restore morale in the health service and would secure change through consultation, not diktat.

Len Peach himself goes out of his way to reassure the unions. "I have alreedy made erangements to meet the staff side of the Whitley Council so that I can put their concerns et rest," he says.

His first priority, he says, will be to help shape the working methods and objectives of the new managers. Peach gives two reasons for this, besides the obvious need to hed down the new management structure.

The first flows from what Peach calls the "multiplier effect" of management: improve managers' performance by giving them clear objectives and training them to meet those objectives, and managers will in turn get better performance from their staff. Peach puts great stress on management training and development, e result of having been unencumbered hy the traditional personnel obsession with unions when be was et IBM.

Peach's second reason for concentrating on managers ia to use them as e test hed for ideas which Peach is hringing with him from IBM.

"I come from a system where all 18,000 workers have objectives and are assessed on them every year. It is an open system where everyone, including hlue collar workers, is shown the result of their assessment," Peach says.

He adds that IBM operates with a strong internal communications network, with information flowing both downwards from top managers and upwards to them. He says: "Pay hased on performance for all 18,000 workers, inclnding hlue collar workers, is my background."

Peech does not claim that these ideas can be transferred wholesale from IBM to the health service, hut ha says: "I'd like to test them, and the obvious group is the one that is newly created"—the new managers.

Peach is particularly keen to introduce merit pay for NHS managers. "Employees in an organisation produce very different levels of performance and some mechanism must be provided to reward those different levels," he says.

But Peach is more careful when asked if he wants merit pay for groups like ancillaries and nurses. "To introduce merit pay into a situation that hasn't had it requires a change of attitude," he says.

Although Peach is quick to state that consultation with staff is bound to be different in a unionised environment like the health service, he clearly wants to experiment with IBM methods. He mentions opinion surveys of staff, which IBM has conducted since 1962, as something in which he has great faith.

Otherwise, Peach has "en open mind" on most of the contentious issues that will be crossing his desk. He has, by his account, a fairly open remit too, since he neither met health service ministers nor was given objectives by them before his appointment.

● Morale. "What I read in the press seems to indicate that morale is not very high," Peach says, before edding that he is not sure whether that is correct.

If morale is bad, Peach argues, he will need to identify the cause before acting on it. "One thing I've heard is that freqnent organisational change has damaged morale."

● Pay. Peach refuses to be drawn on whether there is s low pay prohlem in the health service for groups like nurses or ancillaries, adding: "I'm not sure what you mean hy low pay." He says that pay can be an important, but not necessarily determining, factor in improving morale.

● Flexibility. Peach has written about the need to increase the flexibility of labour, but has yet to decide if there are significant hlockages to labour flexibility in tha health service. He has "no view" on whether psy bargaining in the health service, based on elahorate review bodies and Whitley Council machinery, inhibits flexihility.

● Privatisation. Peach has an equally open mind on whether the contracting ont of services like cleaning and catering improves efficiency, thongh he says: "There is a trend now to move to e core of workers and to sub-contract the rest throughout industry, so the NHS is not being singled out."

Len Peach is clear, however, that the techniques of management—setting objectives, rewarding objectives achieved and consulting staff about change—should be the same in a hnge, uncommercial organisation like the NHS as in a tight, profit-making company like IBM. It will be interesting to see if be still thinks that in three years' time.

Zaire manufacturing

Where management is more a matter of improvisation

BY PATTI WALDMEIR

"I WOULD be miserable running a factory in Europe," says Theo Mamatas, surveying the expanse of his family's new $12m soap, margarine and shortening factory on the banks of the legendary Congo (now Zaire) river, deep in Zaire's steamy interior.

Mamatas, and the septuagenarian patriarch of the Mamatas family, Apostolos Mamatas Kalamaris, struggle daily to cope with problems which would give indigestion or worse to any European factory manager, managing director and board chairman (for the two fulfil all these functions in the family husiness, Sorgeri).

To some extent, they are problems which are familiar to any industrialist trying to survive Africa's economic crisis: spares, machinery and other inputs are ever in short supply hecause of lack of foreign exchange for imports: power cuts are freqnent, disrupting or halting production; local technical expertise is lacking; and the whole is hundled up with miles of hureaucratic red tape which would deter on investor with less of the frontier spirit.

Add to this the fact of operating in one of the continent's largest, most chaotic and most corrupt countries—and at a site, Kisangani (formerly Stanleyville) which is 2-6 weeks by barge and rail from the port of Matadi—and yon have what the younger Mamatas modestly calls "a challenge."

"Most of the prohlems we have here could he solved with a single phone call in Europe," says Theo Mamatas.

But the phone service to Kinshasa, the capital, is erratic at best, the foreign exchange shortage means Kinshasa stockists are ill-supplied with spares, and the struggle which river barges have while navigating the shifting sand banks of the vast Zaire river means deliveries run into weeks. Airfreighting spares is too costly to be anything other than an emergency option.

What enahles Sorgeri to survive and prosper under these circumstances, says Mamatas, is a hlend of flexibility, imagination and technical know-how (he has a Ph.D. in chemical engineering). It is e cocktail of qualities which industrialists throughont the continent have been forced to develop or else see their infant industries succumh to the continent's unprecedented economic crisis.

Zaire has long been considered a text book example of the mistakes and misfortunes which have precipitated this crisis: heavy and rash external borrowings in the mid-1970s which led to a crippling burden of debt; an ill-conceived nationalisation programme in 1973-74; and widespread inefficiency, mismanagement and corruption conpled with e prolonged slump in the prices of Zaire's main exports, copper end cobalt. It is a country with vast mineral and agricultural potential; the constraints on its development are similarly massive.

They are among those whose assets were nationalised — in many cases without adequate compensation—in the mid-1970s (memories of this period still contribute to sluggish investor response). And barriers to full production at the family's new Kisangani factory are daunting.

Power cuts are a constant disruption. While there is ample potential power from the Zaire river and its tributaries, the Kisangani power station's turbines and generators are old and often not operating. Earlier this year, tha Mamatas's were forced to operate their factory off stand-by generators for nearly a month because of power cuts hy SNEL, the state electricity company. According to Theo Mamatas, power

> The workshop's materials are whatever comes to hand. Mamatas uses discarded ammonia gas bottles to construct a casing for a condenser . . . a Second World War autoclave abandoned in the bush was rehabilitated for use in the factory

Since 1983, Zaire has made a major effort to break oot of this spiral of decline with the help of an IMF-inspired adjustment programme which is arguably the most radical in Africa.

Critical to the success of tha programme will be the country's ability to attract new foreign investment in productive ventures, like the Sorgeri factory whose sales of about 520 tonnes per month of all-purpose soaps barely scratches the surface of potential demand among the several million people who live in Zaire's vast interior.

So far, the response to the call for new investment has been decidedly muted, says one Kinshasa banker: "There are plenty of people coming in with briefcases hut very few with shovels." This is partly the result of Zaire's reputation for corruption and mismanagement (the reputation persists despite recent reforms), and partly the result of the kind of constraints which the Mamatas family suffers.

shortages could well jeopardise the family's plans to add a second production line et the factory to double its current installed capacity of 3 tonnes of soap per hour.

But the cuts have given the younger Mamatas the opportunity to exercise the spirit of inventiveness which makes him one of the country's most successful industrialists. He has recently begun to burn discarded palm kernels (from the hright orange palm fruits which yield the oil which is the main ingredient in soap manufacture) as an alternative energy source for the factory.

He claims to have persuaded Kisangani's only other major industry, the Sotexki Textile Fectory, to do the same. (Sotexki is also contemplating a $15m to $17m extension, to ha financed by the World Bank and the African Development Bank, although power shortages may delay this project significantly as well.)

Keeping the Sorgeri equipment operating tests the ingenuity of Mamatas, who has spent nearly all his life in Zaire. Abandoned steam engines are cannibalised and spares fashioned enew in the factory's workshop; and European machinery is "tropicalised" to bear the steamy conditions of the Haut-Zaire province, which would otherwise drastically shorten the life of much imported equipment. The workshop's materials are whatever comes to hand; Mamatas cites the example of using discarded ammonia gas bottles to construct a casing for e condenser as part of the tropicalisation process.

In fact, Theo Mamatas seems to thrive on the challenge. He tells the story of finding a Second World War autoclave abandoned in the bush (a number of pre-independence industries in Kisangani have been abandoned because of the nationalisations of the 1970s and the murdars of white settlers in the 1960s). It was rehabilitated for use in the factory: "I'm known around here as the biggest scrap collector," he says proudly.

The one prohlem which Sorgeri does not have is marketing its output. Most of the soap, margarine and shortening it produces is sold direct to traders who handle the headache of distribution in a country with a grossly inadequata transport infrastructure. Sorgeri cake soap, Distingue, is much in demand and is used for everything from scruhhing clothes and washing dishes to bathing the baby, so there's no need for en expensive edvertising effort. Mamatas speculates that the soap, which is made from pure palm oil, could sell well in the department stores of Western Europe, where "natural" soaps can fetch as much as £1.50 to £2 per bar.

But it's a long way from sleepy Kisangani to the herbal boutiques of the Galeries Lafayette in Psris or Inno in Brussels—and the immense logistical difficulties of transporting the Sorgeri products nearly 1,000 miles down the Zaire river hy barge and rail to Matadi Port (there is no road) must make exporting impracticable at least for the moment.

A museum for architecture

Washington DC is one of the few cities in the world with its own museum of architecture. The National Building Museum, a joint private-Federal institution created by Congress in 1980, opened to the public in October. It starts life with one incomparable advantage. It occupies the old Pensions Building, which stands at the north end of Judiciary Square, well located near the National Gallery and the principal sites of the capital.

Designed by General Montgomery C. Meigs and constructed between 1882 and 1887, it was originally intended to be a Civil War Memorial as well as a place where the 1,500 clerks who worked for the Pensions Bureau could be accommodated in a government-owned building. It is a remarkable edifice. Built of brick, cast iron and terracotta it is one of the city's most noble and unusual 19th-century official palaces. The outside is a good example of the adaptation of the Italian Palazzo style to an official building. It is decorated with a terracotta frieze of soldiers, while over the doorway rolls a covered wagon. The topmost frieze is made up of military emblems, grenades, cannon and a variety of weapons. Above the facade rises the pedimented barn-like roof of the 160 ft high main space. But even this hint on the outside does not prepare you for the glory of the interior.

Cross the relatively modest threshold and you are in a giant space, almost 15 storeys high. This inner court is one of the largest spaces in Washington and has traditionally been used for the inaugural ball for the President. Eight magnificent Corinthian columns march across the space in two rows, each one of them 76 ft tall. The courtyard had a practical purpose as far as Colonel Meigs, the military engineer was concerned. He was responsible also for the construction of the dome of the Capitol and believed in extending the frontiers of his knowledge of structures.

He felt that the traditional warren of Victorian offices was an unhealthy environment for clerks and so he devised what must be the first atrium office building. Every office was to have an outside window and a view of the great central court. He wanted Congress to let him plant the centre of the covered court with trees to match the scale of the columns. In the recent restoration of this giant among American Victorian buildings a large circular fountain basin has been uncovered and the jet restored.

In this improbable space the new museum has its home. It will mount exhibitions and show displays about the nature of architecture, and gradually complete the restoration of this rare type of Victorian architecture.

Doubtless it can be argued that architecture does not belong in a museum and should be studied in the round by examining actual buildings. I think, however, that these are just the right sort of premises for such an enterprise because the immense possibilities for architecture and building technology are demonstrated.

Colin Amery asserts that 'Americans seem to realise architecture is part of the nation's culture and should be part of the nation's educational experience in a way we in England have scarcely begun to grasp'

The first exhibition is called *Building a National Image—Architectural Drawings for the American Democracy.* It has been sponsored by the United Technologies Corporation and is a display of some serious and beautiful drawings from the history of official buildings in the US. It sounds much duller than it is. The sheer quality of the Benjamin Latrobe and Bullfinch drawings for the US Capitol were enough to make me go at once to examine the Capitol itself. There it was particularly rewarding to find the Old Supreme Court and the Old Senate sensitively restored and still looking (although no longer used for their original purpose) immaculate and just like the Latrobe drawings. The other drawings of post offices and other public premises such as customs houses show a long-standing Federal commitment to architecture of quality.

The current exhibitions are small and manageable. There is a loan show of models of the Brooklyn Bridge and an impressive display of the architectural metalwork of one Samuel Yellin who although not known outside the US was an interesting designer working in the 1920s. The richness of his work is seen in cathedrals and banks in America — places like the Federal Reserve Bank in New York. He was so successful that at one time his workshops employed 200 people. He is a perfect example of the kind of craftsman that was killed by the rise of the bland modern movement in American architecture. His work is distinctive and rich and well worth exposing.

The museum publishes a publication called *Blueprints*, which often has architectural map guides to American cities, and excellent catalogues. There is a travelling exhibition programme and the expansion of the facilities at the Pensions Building will create a new kind of architectural education and awareness.

The Royal Institute of British Architects could learn something from the scale of this operation. Americans seem to realise that architecture is part of the nation's culture and should be part of the nation's educational experience in a way that we in England have scarcely begun to grasp. However, that is not to say that all is well in the architectural look of Washington. The view from the Capitol to the Washington Monument has been badly compromised by the erection of a series of indifferent modern buildings that destroy the Arcadian nature of the city's plan. Although there are no intrusive skyscrapers there are too many dull, lumpish new buildings in the nation's capital.

Verdi exhibition/Colorno

William Weaver

If you drive directly north from Parma, heading for the Po and for Mantua when you have gone about 10 miles you suddenly see, at a curve in the road, a vast, handsome square palace, with four graceful towers at is corners. This is the Palazzo Ducale, its exterior the work of Ferdinando Bibiena, who — towards the end of the 17th century — turned an earlier castle into a splendid summer residence for the Farnese rulers of Parma. In the 19th century, Marie Louise, as Grand Duchess, also spent happy months there.

But then the residence passed into public hands and went into a decline. For many years it was a mental hospital (one part of it still is); during the war, the lovely park was chopped down and burnt. And so, until recently, when you came to that curve, you drove on with a sigh, crossing the little bridge over the Parma River, and penetrating further into the flat, fertile Po valley.

In the past few years an alert local administration and an imaginative organisation called the Associazione Colornese Manifestazioni Artistiche have initiated the restoration of the palace and arranged for its use as a seat of concerts, exhibitions and other cultural events. The latest of these is an elaborate show devoted to Parma's supreme hero, Giuseppe Verdi. The exhibition (which will continue into December), in itself of notable interest, also offers an opportunity to visit the palace, whose interior is as elegant as its façade.

Verdian iconography is, for experts, fairly familiar, well-tilled territory; and yet the composer was painted, photographed, caricatured so often during his lifetime, and afterwards, that it is still posible to discover something new. In the Colorno show, in fact, besides the well-known and necessary portraits, the curator Evan Baker has found some less-exploited works, including a couple of hitherto unknown photographs and a youthful portrait that, in private hands, has been seen till now only in a black-and-white illustration in the Franco Abbiati biography.

But the show is, of course, more than a series of Verdi portraits. To begin with, there are many pictures of other people — librettists, singers, friends—who made up the context of the composer's public and private lives. A completely unknown portrait of Andrea Maffei, for example, is particularly beautiful, worthy of the great Hayez, whose portrait of Maffei's wife, Countess Clarina, rarely exhibited, can be seen in the same show.

From a Milanese theatrical supplier, Baker procured Falstaff's chair from the première production of the opera, and Desdemona's prie-Dieu and other items of furniture from the first *Otello*. There are costumes from past and present, the designs for the *Otello* costumes by Alfredo Edel (a native of Colorno), autograph scores, documents, posters. And, in a last room, a somewhat hair-raising array of Verdian kitsch: Verdi handkerchiefs, plates, spoons, garish post-cards. Only a bottle of America's *Pace pace mio dio* olive oil is lacking. Repulsive as some of the objects are, they illustrate the broad and profound expanse of Verdi's popularity, not only as a musician, but also as a national figure and as a man.

The catalogue features a number of handsome photographs (some of them of Verdian places and of things not in the show), and a series of articles by Verdi experts. Marcello Conati's summary of the economics and technical aspects of Italian operatic life in Verdi's day—and his indications of how Verdi himself changed that life—is a contribution of lasting value. No catalogue, no book, no exhibition can illustrate adequately all of Verdi's works or, even less, his long and fertile life. But the Colorno show casts illuminating shafts of light into many corners of the biography, and with its attractive installation makes the enlightenment supremely enjoyable.

The Ass/Riverside Studios

Martin Hoyle

Alastair Muir

Kate Westbrook, Mike Westbrook and Lesia Melnyk

This curious, likable piece of music theatre takes the eponymous poem by D. H. Lawrence as its base. A musical setting of the words, shared between the six members of the Foco Novo company, is spliced with excerpts from the poet's letters from Taormina.

Apart from Stephen Boxer's Lawrence, the cast represents the local Sicilian band, besides chiming in with the odd quote from the author's own words, sometimes in an unsuitably-maintained accent ("Edna will not erupt," we are informed, more alarmingly than reassuringly, by Marietta the mandolinist). Ariane Gastambide provides an evocative and simple set dominated by a stone archway surmounted by an ass's head and skin. During the overture a screen provides projections of Kate Westbrook's paintings of the donkey, with references to its place in the art of different cultures in different ages.

In the course of this magic Sicilian night Lawrence joins in with the natives, dances with an invisible partner, is eventually garlanded and attached to a little ornamental cart as he assumes, like Bottom, the ass's head. His letters do little to endear him, with their references to "low-bred Italian tradespeople" and curmudgeonly grumbles about music. His description of Taormina, quoted in the programme, as "a parterre of English weeds all cultivating their egos" should be superseded by the image of a glass house in which one bearded and tubercular Nottingham writer is unwisely throwing boulders.

Mike and Kate Westbrook provide the music for this 75-minute celebration. No jazz expert, I was much struck by stubborn ostinati on sax, the way Mrs Westbrook can growl out a song, the sinuous rhythms of "he fell into the rut of love" and a perfectly delightful version, sung in both Italian and English, of a traditional Sicilian song about the donkey. Roland Rees' direction exercises a faintly hallucinatory charm to which Peter Whyman's virtuoso flights on saxophones and clarinet contribute enormously. A colleague complained that the words were drowned on the first night. I can report that on the second every word was crystal clear.

Hungarians at the Wigmore Hall

David Murray

The Young Takács Quartet, already internationally admired, has returned to London to play all the Bartók string quartets and the "Rasumovsky" three by Beethoven—two of the former and one of the latter in each concert. The cycle continues on Wednesday and Saturday, having begun last Saturday with Beethoven's op 59 no 1 and Bartók's First and Fourth, and just a suspicion of jet-lag.

Not that there was anything seriously wrong, and everything we heard was in principle perfectly sound; but there were persistent hints of slight mistuning, and in the quick Bartók movements some flakey ensemble, below the Takács standard of lucid precision. The sombre double canon that begins the Bartók First went beatutifully, unhurried but concentrated; the Allegretto had something less than full authority, and in the athletic Finale there was a distinct impression of stop-go, just where a sense of unflagging drive is most needed.

The first "Rasumovsky" quartet was altogether more secure, with a confident, unusually brisk first movement that contained just one oddity, a marked slowing for the up-and-down *piano* chords which thrice interrupt the rush of quavers: it sounded gratuitous. The Scherzo was sturdy, if not impeccably neat, and the cellist András Fejér was eloquent in the heartfelt Adagio. The Finale, just as in the first Bartók, was sometimes held back too much for its own good, and its Olympian cheer was dampened.

Bartók's Quartet no. 4 is arguably the toughest and most rigorous of his six, and the Takács players have expounded it brilliantly time and again. They were impressive this time too, but not at their taut best. There were little smudges in the ferocious first and last movements, though the right sort of pressure was kept up; the trick scherzos that flank the central meditation (itself most sensitively delivered) want more near-mechanical exactitude than they got—the crisscrossing glissandi were blurred, and the throw-away endings were flat-footed. Small quibbles, perhaps, but the sharp individual characters of the movements were marginally blunted.

Unabashed panache is not specially a Takács virtue, though thoughtful musicianship is. The same is true of their contemporary Dezsö Ránki, whose Sunday morning concert also included Beethoven, as well as the complete op. 28 Preludes of Chopin. And the effect was rather similar: scrupulous exposition with good personal touches, firm technical security, and a certain absence of flair. Without it, not enough of the string of Preludes sparkled with their own particular lights; their astonishing variety astonished less than it should.

Ránki's cycle was all of it agreeable to hear, and it began well: a warm, sinuous C major prelude, a swift and sour A minor, a G minor with racing ripples. The airiest preludes remained a little stubby and earth-bound, though the gentler lyrical ones were always attractively shaped. (There was room for argument about Ránki's penchant for drawing out endings disproportionately, especially with very short pieces.) The most étude-like preludes had little glitter, and those with the most impassioned rhetoric were tame. So were the exercises in hard-driving rhythm, none of which stirred the blood. It was not surprising that despite crashing final Ds, the last and most desperate prelude conjured up neither frenzy nor cataclysm.

Beethoven's E-flat Sonata op. 31 no. 3 had got much closer sympathy from Ránki. A solid, amiable reading, very well proportioned, showed his best strengths, and his efficient technique was equal to the demands of the rattling Scherzo. There was no mischief in it — he never made a joke of the eager returns of the left hand, nor gave any comic tilt to the pawky tune above it; but in innocent terms it was robust and convincing. The opening Allegro had been innocent too, with the introductory subject acquiring no wistful inflections when it recurred; the Menuetto was gracious and pretty, without making anything special of the poised chord-leaps. There is a lot to be said for hearing Beethoven without sophistications once in a while.

Lennon/Astoria

Antony Thorncroft

It is almost five years since John Lennon was shot dead outside his New York apartment, time enough for history and myth to claim him for their own. *Lennon*, now showing, Sundays too, at the Astoria, takes the historical view, with this penny plain bio-musical about the roaring boy of the Beatles.

The words come from Lennon interviews or are the memories of reliable witnesses; the songs, almost 50 of them, necessarily played often in shreds and tatters, are usually Lennon's, too. It makes for a credible, if rather one-dimensional, portrait, with most of the scenes already over-familiar and with not an original insight in a rather long-seeming 2¾ hours.

Lennon betrays its workshop origins in theatres in Liverpool and Stoke and is certainly a sober antidote to some of the insubstantial confections currently parading as West End musicals. Here the nine strong cast take every part going and double up effectively as musicians. There are usually two Lennon's on hand, Mark McGann as a pre-Yoko Ono Liverpool lad and Jonathan Barlow as a seventies version, into saving the world. Martyn Ellis, for example, becomes Paul by messing up his hair and saying "Hi" like a friendly puppy; the next second he might be a very unlikely theatre manager.

It keeps the action moving, and the music is bashed out with a credible approximation of the Mersey beat. Yet there is little attempt to answer the question why the most abusive of the Beatles should end up in a luxury Manhattan mansion block making bread for his "staff" to eat and baby sitting son Sean.

If there is a key it lies in Yoko, beautifully played as an earth mother by Mia Soteriou. The scene where her presence at a recording session acts as a trigger for the unspoken fued to surface between John and Paul is the best in the play, probably because it is the most fictionalised. For the rest, an extremely dramatic life comes over rather flat.

Lennon leaves you to draw your own conclusions—or none at all. As an opportunity to enjoy two decades of music—escapist fun in the sixties; synthetic global concern in the seventies — in some high spirited company it needs little additional recommendation.

Airbase/Oxford Playhouse

B. A. Young

I must admit that I knew little of what was going on in the first 10 minutes of Malcolm McKay's melodrama of US Air Force life. Ten feet above the stage, the tail of a F111 bomber stood on a gallery. Half the stage was filed by a bar, a steel ladder led up to the gallery. A din like the working of a nightmare factory proved to be David Wardill's incidental music, and to its rhythms figures in a half-light sketched the business of the next scene. This scheme preceded every scene of the play.

There is routine sexual exchange between Master-Sergeant Bud Schultz, Captain Todd Walker and the new officer, Lieutenant Madeleine Kohler, but the main events of the evening are non-sexual. We are in a US air base in England. First Lieutenant Vincenzo Rocca (Mark Rylance) turns back halfway through a routine North Sea patrol and flies across the Iron Curtain. Then, under arrest but unrestrained, shoots too much marshmallow (air force for heroin) and takes the nuclear-armed plane on instant readiness across the North Sea and tosses a nuclear missile into Russia, 20 miles east of Archangel. As the final lights dim, we are awaiting the Soviet nukes, and everyone is in the bunker except Madeleine, fed up with the world.

And she has good cause. None of the airmen goes on an operation without having a jab of heroin, which for some reason always makes them exclaim "Mamma Christi!" as it hits. She herself is quickly converted to cocaine. Such items, smuggled in from Germany on Service aircraft, are readily available at the bar, which is run by an English drug-pusher. The dialogue is so full of US Air Force slang that the programme prints a glossary of about 100 words, not including the standard four-letter terms which crop up, functionally or ornamentally, in almost every sentence. It is advisable to con the glossary before going into the theatre.

By chance, I had an American airman sitting next to me. It was not quite like that at his station, he said, but he supposed it was a question of suspending the disbelief. Was it not really a kind of satire? And yes, I suppose it was, but my disbelief, for one, is not so easily suspended, and I look for plot more easily accepted before I can accept the satire. Frankly, *Airbase*, which I see with horror is the first part of a series of four plays, struck me as a dangerous load of rubbish.

This is hard on the players, especially Mark Rylance, Greta Scacchi as an attractive Madeleine and Trevor Laird as a black pilot, for I thought they were all pretty good. The author himself directs, and the weird set is designed by Marty Flood.

Greta Scacchi

Alastair Muir

Saleroom/Antony Thorncroft

Hockney set for a record

A record price, at least at auction, for a work by David Hockney is on the cards at Sotheby's sale of contemporary art in New York on Tuesday. His 1968 portrait of Christopher Isherwood in conversation with Don Bacherdy carries an estimate of $500,000-$700,000, way ahead of the current auction best for Hockney of $250,000. Another Hockney in the sale, a rather similar double portrait, this time of the artists Joe Tilson and Peter Phillips in 1963, is estimated at $225,000-$275,000.

But these prices are small beer compared to the sums expected to be paid for contemporary American artists like De Kooning, Rothko, Clyfford Still and Jasper Johns. Perhaps the most remarkable lot in the sale is "Sangre de Cristo" by Frank Stella. It is the last of the artist's copper paintings and, with a length of 42 ft, is the longest painting ever offered for auction by Sotheby's: it is estimated at $750,000-$1m. The most expensive should be a 12 ft high by 20 ft long splash of red by Barnett Newman: it could make $1.5m.

In contrast to these attacks upon the senses Sotheby's in London is selling on Wednesday, in its topographical auction, two mid-19th century volumes of Chinese watercolours from the studio of Ting Qua, depicting court figures, flowers, birds and gardens in bright, even garish delicacy; bids up to £15,000 are forecast.

Christie's has a good sale of modern British pictures on Thursday and Friday, with large groups of work by Sickert, Lavery, and, among the many Lowrys, "VJ Day," which carries a £60,000 top estimate.

The auctions of 19th century pictures at Sotheby's and Christie's in New York at the end of last week were unexciting. "In the temple" by Alma-Tadema was at the lower end of its estimate, selling for £52,559 at Sotheby's in an auction which was only 67 per cent sold. At Christie's a Munnings portrait of the 7th Earl of Bathhurst made £270,000.

An album of 41 photographs taken in 1855 by the members of the Photographic Club of London sold for £16,000 at Sotheby's London on Friday. It was bought by Herskowitz. Ten years ago a similar album made £4,000. An 1839 image of windmills in Montmartre by Hippolyte Bayard, now acknowledged the historical equal in the development of photography of Fox-Talbot and Daguerre, made £6,600.

Arts Guide

Nov 1–7

Music

LONDON

London Sinfonietta conducted by Diego Masson with Elizabeth Laurence, mezzo-soprano and Michael Collins, clarinet. Boulez. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Andre Previn with Jean-Philippe Collard, piano. Bartok, Saint-Saens, Mussorgsky/Ravel. Royal Festival Hall (Thur).

PARIS

Amsterdam Concertgebouw, Vladimir Ashkenazy, piano: Prokofiev, Debussy (Mon). Salle Pleyel (5610630).

Edita Gruberova recital (Mon). Théâtre de l'Athenée. (7426727).

BRUSSELS

Palais Des Beaux Arts: Deutsche Bachsolisten conducted by Helmut Winschermann with Arleen Auger, soprano and Gottfried Bösch, trumpet. Handel, Bach, Scarlatti (Tue). (5124045).

ITALY

Milan: Teatro alla Scala: Andre Watts, piano, Liszt (Mon); Gustav Kuhn conducting Richard Strauss (Wed and Thur). (809126).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Thomas Sanderling, with Victor Tretyakov, violin. Tchaikovsky, Bruch, Schumann (Tue). (718345).

SPAIN

Madrid, Mediterranean Quintet. Prieto, Marco, Balboa, Lefebre and Muller. Teatro Real, Plaza de Oriente (Tue).

WEST GERMANY

Frankfurt, Alte Oper: A lieder recital with Dietrich Fischer-Dieskau, accompanied by Hartmut Höll. Berg and Schönberg. (Wed).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Riccardo Chailly conducting, Yuzuko Horigome violin. Strauss, Mendelssohn, Beethoven (Tue); Zubin Mehta conducting. Maurizio Pollini pianist. Lutoslawski, Brahms (Thur). Lincoln Center (8742424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruehbeck de Burgos conducting with Elizabeth Knighton soprano, Marta Senn mezzo-soprano, and Choral Arts Society of Washington directed by Norman Scribner. All-Mahler programme (Tue); Rafael Fruehbeck de Burgos conducting. Jeffrey Kahane piano. Ibert, Saint-Saens, Beethoven (Thur). Kennedy Center (7858110).

TOKYO

Noriko Kawai (piano): Scarletti, Scriabin, Tchaikovsky, Balakirew. Sogets Hall (Wed). (3532242).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday November 4 1985

Lessons from the tin crisis

THE tin crisis on the London Metal Exchange may well be seen as part of the death throes of post war efforts to manage commodity prices. The International Tin Council's buffer stock, now threatened with collapse, is the only commodity agreement to have been in continuous existence since the mid 1950s.

In recent years, political opinion has moved sharply against such pacts, so the demise of the ITC agreement may be little mourned by the industrial powers.

It is clear that the 22 member governments of the ITC, representing consumers and producers, ignored many obvious warning signals: including chronic over-capacity, a large overhang of stocks, and the sharp rise in production hy non-member countries like Brazil.

Outstanding debts

In a vain effort to halance suppty and demand at an excessive price, the ITC spent some £500m trying to shore up a market already heavily constrained by export quotas for producing countries. The suspension of trading eight days days ago has raised disturbing questions about the financial position of traders with outstanding positions at a time when market forces might push the price of the metal down hy 25 per cent or more. At the worst, the position of the LME itself could be threatened.

The ITC must therefore issue a statement without more delay that they will pay the Council's outstanding debts. An association of governments, backed hy the United Nations, must not allow further speculation as to whether it could renege on claims against it, even if the technicalities of their agreement which never envisaged such large trading losses, could let them off the hook.

Individual governments may say that they were not responsible for what was done hy the group. Morally that can be no defence: operations in the commodity futures markets are inherently risky, so that whatever their motives, governments must accept the consequences when things go wrong. Delays while the ITC countries argue ahout their legal obligations are damaging to confidence and make their chance of restoring some sort of stability to the market more difficult.

This is the nuh of their present dilemma. The extent of the ITC's present debts to traders depends crucially on how successful it can be in preventing the price from plunging when trading is resumed.

Its obligations are measured in tin at the pre-suspension price of £8,140 per tonne. For every £1,000 fall in the price, the ITC's loss might be of the order of £50m. Traders in the LME are facing a potential default measured in hundreds of millions of pounds in a worst case.

The Tin Council will be under strong pressure to try to minimise its loss by setting a new floor price which will be lower but not too low. But it would have to give the huffer stock manager more cash to defend this price. An orderly move towards lower prices is also in tba interests of the thousands of workers in third world countries including Malaysia, Bolivia and Indonesia whose jobs will be threatened by a sharp collapse.

On the other hand, the majority of Tin Council members represent consumer nations which may be reluctant to throw good money after had in an effort to bolster any new price above that which the market wants.

The major prohlem, as a House of Lords committee pointed out several years ago, is that a buffer stock must be very large to he successful. The Tin Council had not been prepared to spend enough after the defection of the US in 1982, and the rise in production hy non-members, particularly Brazil. This was compounded by the difficulty of estimating the equilibrium market price at a time of strong competition from other metals notably aluminium.

As Keynes himself pointed out in 1938 successful commodity agreements offers advantages to consumers and producers alike if they iron out the natural volatility of the markets. The tin agreement has been an example of this for most of its 30 years. But agreements must operate near the equilibrium price and be hacked hy enough money. These conditions have been increasingly hard to meet in most commodity agreements including those for rubber, coffee and sugar.

In the case of tin, it is now clear that a greater reliance on market forces would have avoided the crisis which now faces the industry, and would have given earlier warning of the painful adjustments which producers will have to make in any case.

Facts of life for steel

SMALL MERCIES are all there is to be grateful for when considering the world steel industry. Against a gloomy long term outlook for steel, two agreements were reached in Brussels last week which deserve some faint praise.

The European Community liberalised the regime, or rather the cartel, under cover of which its steel industry is intended to shrink down to viable proportions. That represented a step in the right direction.

Second, US and Community negotiators reached an agreement (subject to final approval) prolonging existing limits on the Europeans' share in the American steel market. It is a bad agreement in principle and not improved because it extends the range of products subject to the regime. It may, however, have averted open trade war, even though it coincided with tit-for-tat increases of duty on European pasta and American citrus fruit. In practice, the steel agreement may have been the best obtainable from the Americans.

The proof of a not very tasty pudding will be whether the Europeans and the Americans use the time gained by these agreements to put their houses in order. In spite of widespread closures of steel plants in Europe, the European Commission estimates that another 25m tonnes of steelmaking capacity (or 18 per cent of the total) need to be shut down.

In the US the prime need is for greater efficiency. A certain amount has already been done. But one indicator, the application of continuous casting, shows the relative backwardness of much American plant. At the end of 1984, 40 per cent of American capacity used this modern form of pouring steel from the smelting furnace. In Britain it was 52 per cent and in Japan 89 per cent.

This technological backwardness is one of the main reasons why the US industry has been seeking protection of one kind or another against imports for some 20 years. It is not a happy position for what was once the world's premier steel industry.

The US General Accounting Office which, as a government agency is unlikely to take an un-American view, has produced a trenchant criticism of the kind of orderly marketing agreement now prolonged in relations with the European Community. By limiting foreign suppliers to a stated share in the US market, it blurs the distinction between dumped, subsidised and fairly traded steel. It also rules out recourse to remedies against unfair practices available within the Gatt.

Redundancy

The Administration should summon the will to warn steel makers that the present agreement with the Europeans ought to be the last and that the whole system ought to be dismantled within a set period. The recent decline of the US dollar might make the case easier to make, though the political difficulties are considerable.

Experience in Europe shows that deadlines can be useful. The knowledge that the Community would drastically restrict the possibilities for government subsidy to steel from the beginning of 1986 did, in the end, prove effective. The Italian and French Governments after dragging their feet did eventually put forward substantial closure plans. France just got in under the wire last month with a £1.7bn subsidies package linked to restructuring.

In practice much or all of that money will only benefit the French industry after the end of 1985. But at least there will be no additional subsidies available from then on except for redundancy payments and for help to companies quitting.

The tightening of criteria this represents is welcome. So is the abandonment of production quotas for some products and the abolition of the minimum price system — always provided that the subsidy regime is tightly enforced.

Both the EEC steel regime and trade agreement with the US have been defended on the grounds that the alternatives would be worse—uncontrolled national subsidies in one case and a trade war in the other. The danger, as with any departure from the multilateral trading system, is that the temporary becomes permanent. Until the EEC and the US are prepared to expose their steel industries to normal market pressure, their commitment to free trade will remain in doubt.

EUROPE'S FOOD MOUNTAIN

This time there really may be no escape

By Ivo Dawnay in Brussels

BOB GELDORF, the food aid propagandist who touches parts of the public conscience politicians cannot reach, came slightly unstuck at the European Parliament in Strasbourg last month.

For when the pop star lambasted the Common Agricultural Policy (CAP) as the "crowning idiocy" of the EEC, he would have won fans only in the UK. To the rest of the Community—not least his native Ireland—the CAP has been a formidable success.

The food mountains, Mr Geldof's real target, are widely viewed on the continent as a slightly embarrassing manifestation of the farm policy's soundness, much as the French saw the Greenpeace *affaire* as a clumsy by-product of a basically sensible nuclear strategy.

Mr Geldof's prescription—"Give the food away"—for once united EEC bureaucrat and politician alike in the verdict that this solution is indeed too good to be true. And even militant advocates of CAP reform accept that the surpluses are merely a symptom, not the problem itself.

The unpalatable, but little understood fact is that the food mountains are not simply stores of free food. The butter, beef, wheat or wine held in Community stores are commodities awaiting a market—assets that instead of earning interest, actually accumulate debts.

A tonne of wheat, for example, costs the EEC budget only the price of the export subsidy, currently about Ecu 70 ($59.5). This bridges the gap between the artificially high Community guaranteed price, and those on the world market.

If the European Commission was to give the grain away free, the costs would have almost to double to cover the whole of the $120 to $130 paid to farmers by national governments on delivery to intervention stores.

There are a host of other reasons why the give-it-away option is just too simple. The 1.25m tonnes already delivered by the EEC under food aid programmes, could certainly be increased. But even the hungry African continent could not absorb the 20m tonnes EEC stock.

Substantially larger disposals would distort already rock bottom world market prices, exacerbate trade tensions, and fatally threaten already fragile African rural economies with a product alien to local diets.

As one European Commission official put it: "India banned cereals imports and is now a net exporter. We would be just allowing the tonnages that undermine our farmers to undermine the Africans."

Mr Geldof has perhaps unwittingly, hit a raw nerve, because the surpluses are now a problem topping the Community agenda, not so much for public relations reasons, but for budgetary ones.

Currently, over 1m tonnes of butter, 800,000 tonnes of beef, and 15m tonnes of grain top the table of food stocks. These will absorb Ecu 3.25bn (£1.96bn) in storage and financing costs this year. That is Ecu 12 (£7.21) from each of the Community's 270m men, women and children.

A range of desperate measures—Mr Geldof's "crowning idiocies" perhaps—have been employed to cut the tonnages. In the dairy industry, for example, there has been a scheme to persuade the hardly undernourished Berliners to snap up extra cut-price butter stocks, and an equally costly project to feed butter to veal calves from whom, one cannot help observing, it was originally hijacked in the first place.

But despite these moves, storage costs, now projected at 15 per cent of the total Ecu 20bn 1986 farm budget, will relentlessly rise under the impact of saturated world markets.

In an effort to sober the farm lobbyists, the European Commission is projecting quadrupled grains stock of 90m tonnes on current trends by the end of the decade. Already cold storage space has had to be begged from EEC neighbours such as Switzerland and Austria which now rake off the fees for housing unsold surpluses direct from the CAP budget.

At this rate of growth, the cynics mutter, the need for storage space will soon fill the holds of the millions of tonnes of European merchant shipping currently laid up in dock.

Worse still, some of the efforts to tackle the overproduction problem, like last year's imposition of milk output quotas, have had knock-on effects on other sectors. Cattle slaughterings provoked by the super-levy quotas on milk added a phenomenal 1.32m head to the beef stockpile, further depressing rock bottom prices.

How then can the Brussels farm managers tackle the crisis? Clues to their preferred course lie buried in the text and annexes to the Perspectives On The Cap discussion document, published this summer.

All but ruling out further quotas and the more fanciful (and costly) alternative use proposals for grains such as biothanol production, the paper hinted heavily that price restraints should form the basis of reform.

To these would be added a safety net of direct income aids, aimed at those small family farms unable to survive the cold winds of the free market.

Both elements in this strategy appear already to have been strangled at birth by the politicians, despite a generally favourable reception from agricultural economists.

Even before intensive discussions among the farm Ministers were underway, Mr Frans Andriessen, the hardly radical Farm Commissioner, encountered fierce criticism from within the 14-member Commission itself.

Not least, among the combatants, was Mr Jacques Delors, the Commission president, who has expressed concern both over the timing of the CAP reform debate and the terms in which the options are put.

"Andriessen is a stubborn Dutchman with his own ideas as to what should be done," one insider explains, "but Delors' natural imperiousness insists on having the last word."

The effect of this clash will be to delay any firm decision-taking, certainly until after the French national assembly elections in March when Mr Delors' socialist party colleagues look destined to go down to defeat. The crunch may come before the key elections in the West German lander of Lower Saxony in June and Bavaria next autumn — a factor which may dampen any embryonic radicalism in the two German Commissioners.

But the decision will not be taken until the accession of Spain and Portugal at the end of the year. They will join Greece to form a formidable Mediterranean axis — ready and willing to ensure that any costly structural reforms for the Community's temperate North, are balanced by cash handouts to the south.

Faced with this gruesome *realpolitik* Mr Andriessen is valiantly resisting the Farm Commissioner's traditional retreat to the highground of day-to-day crisis management. Nevertheless, his reform proposals are necessarily forced to be piecemeal, limited, sector by sector, attempts to use the mounting budgetary pressures to force through unwelcome reforms.

These have already emerged in a new incentives scheme to buy out milk production in the dairy sector—a process which involves paying farmers to surrender production quotas, imposed only last year, in return for cash payments amounting to some £2,000 per cow. But this modest, though sensible measure, will only remove 3m tonnes from an annual surplus of about 15m tonnes.

The much more complex problem of cereals is irreparably hampered by West Germany's refusal to sanction even modest price cuts, favoured by both the Commission and the other nine member states. Furthermore, the option of offering income aids to poorer farmers in compensation for price restraint is also barred.

As Mr Graham Avery, a key adviser on Mr Andriessen's staff, told a Brussels conference earlier this month: "Clearly, if we had a really restrictive prices policy, the only way to handle the consequences would be a generalised system of incomes aids.

"No member state or farm organisation has shown any direct interest in that."

No incomes aids thus means no substantial price cuts and, hence, no wide-ranging reforms.

Like the socialist objections to means-tested welfare benefits, the principle of common prices is one of the CAP's holiest tablets, even when cereal barons in East Anglia and the Paris Basin were last year reaping profits of 40 per cent on capital employed.

Consequently, it is expected that Mr Andriessen's cereals plan, due to go before the Commission shortly, will contain some disguised price cuts, sneaked through in the form of lower prices for the less saleable poor grade grains and a "co-responsibility" levy or producer tax. This latter measure will at least have the benefit of raising revenue to fund the export subsidy programme.

'We have had surpluses before but never so much. It is hard to see how the budget can be patched up.'

Suitably dressed up, it could just slip through the German blockade.

Soundings from Bonn's Ministry of Agricultura have suggested that a flat tax of perhaps 2 or 3 per cent, levied on all producers at the first point of sale, could be acceptable to Mr Ignaz Kiechle, the Minister who this year singlehandedly resisted even a nominal 1.8 per cent price cut.

Though Mr Kiechle formally denies it, diplomats in Brussels believe that Germany would ultimately approve of a straightforward quota system to restrain cereals production, along the lines of those now agreed for milk.

But before any such quotas are agreed, other member states must be brought round to their inevitability. Furthermore, a bureaucratic infrastructure—markedly more complex than that for milk which is invariably marketed through central agencies—must be put in place.

The administrative requirements of a coresponsibility tax would create just such a mechanism to allow a smooth transition to quotas. And though many Commission officials are vigorously opposed to any such project—not least because it eliminates all hopes of price regulation as the main element in market-oriented production restraint—some think it is already inevitable.

Assessments of the kind of price cuts needed to achieve real reductions in cereals production vary wildly from a modest 10 per cent to over 30 per cent. But everyone, even Mr Michael Jopling, the UK minister who is most committed to the price cutting route, knows these sort of reductions are politically impossible.

In the meantime, the Ministers must grapple with a Commission package that many believe will fall far short of the kind of measures needed to tackle the relentless growth in the surpluses. The forthcoming negotiations will nevertheless, act as a kind of ritual political and economic education, aimed as much at the farming community as at the politicians, and smoothing the path to more drastic moves to come.

Hence a crunch of some sort seems inevitable. Unsold US surpluses, domestic protectionism, and aggressive marketing combined with the EEC's promise to match American subsidies dollar-for-dollar are forcing free market prices relentlessly downward and thus the cost of Community support export subsidies up.

Such a trend must eventually push EEC spending through the budgetary ceiling imposed on farm spending at the Fontainebleau summit last year. And even if this is ignored by ministers, the prospect of having to raise member states VAT contributions to Brussels to pay for the excess—a move that requires national parliaments' ratification—could prove to be the snapping point.

"Once we have to increase VAT, it will pass the power to block spending to Parliament," says Mrs Borbara Castle, the UK Labour Party's formidable champion of CAP reform. "They (other member states) will have to agree to reform just as they had to accept the British budget rebate."

Others are more hesitant about crying wolf. Britain's budget deal and its takings from the CAP may make it equivocal about provoking reforms of which UK farmers might be the principal victims. Furthermore, the Commission's ability to beg, borrow or steal to keep the CAP afloat has proved remarkable in the past.

Recent history has proved that any number of variables—another poor Russian harvest, dollar-Ecu exchange rates, international trade agreements—could allow the Houdini-like CAP to slither once again off its budgetary hook.

But there is no doubt that the Cassandran wails of the forecasters are at last getting serious attention in Brussels' Berlaymont building. "We have had surpluses before," said one official, "but never in so many sectors simultaneously, and never so much. Next year it is hard to see just how the budget problem can be patched up."

Men and Matters

Lord in waiting

For the best part of two weeks, New York lawyers have been threatening to call Lord Hanson, chairman of Hanson Trust, to give evidence in the bitter court battle over the UK group's bid for SCM.

The thought of bringing into the witness box an English peer who, as one lawyer puts it, "is entitled to make the law in Britain," certainly tickles the legal fancy. But so far, as the cross-examination of a handful of Wall Street's elite has dragged on, Hanson has been left kicking his heels in Manhattan, reflecting, no doubt, on the war of nerves that is all part of the courtroom action.

If Hanson does appear, he may be in for some rough treatment. The trial lawyers have been giving more than a passing imitation of Perry Mason at his most aggressive, tearing into witnesses with gusto and reducing carefully composed arguments to shreds.

The courtroom contest has regularly featured procedural clashes, and has included such props as an array of large charts, and a blackboard on which one attorney showed amazing skill in the arcane subject of harmonic averages.

The proceedings have been sprinkled with light relief. The lawyers play to the gallery, and both sides have an appreciative hand of associates filling the court's spare benches.

But the sparks of humour do little to detract from the deadly seriousness of the contest which will have a crucial impact, not only on this particular bid, but on the conduct of other takeovers in the US.

"That's great—how much do you want for it?"

Royal tastes

Those with a taste for history, so to speak, should find their appetites royally satisfied in the City of London next year.

Payne and Gunter, the caterer which stages the state banquets at Buckingham Palace, is celebrating the 200th anniversary of the Gunter half of the company.

Gunter's was established in Berkeley Square in 1786 and was very soon catering for London's upper crust. There are references to it in Trollope and Jane Austen. Napoleon III gave Gunter's a royal warrant; and Queen Victoria had her wedding cake and jubilee cake made there.

Researchers into Gunter's history have also retrieved hundreds of menus for royal dinners throughout the 19th century and the early 1900s.

So, in a business-like approach to the bi-centenary, Payne and Gunter are to stage some of these six- to eight-course meals, with accompanying wines, next year for tourists and native gourmets at around £80-£100 a head.

The first royal customer, George IV, will be remembered in a banquet in the Royal Pavilion, Brighton. The dishes will include the filet de boeuf a la Napolitaine which he enjoyed there in 1817.

The Tallow Chandlers' Hall and the Watermen's Hall in the City will be among the venues at which guests will sample Napoleon's 1811 brochette of salmon, William IV's favourite cotelette d'agneau, Victoria's petit vol au vent financiers and the sort of dishes that gave Edward VII his nickname "Tum-Tum."

Channel five

While civil servants in Britain and France get down to studying the form of the applicants to build a fixed link across the Channel — contained in some 15,000 pages of technical and financial information — William Hill's Graham Sharp has already opened a book on the outcome.

Hot favourite at 4-6 is the Channel Tunnel Group with its plans for twin rail tunnels. British backers include Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey as well as NatWest and Midland Banks.

Sharp quotes 11-4 against Euroroute, whose proposal for road bridges linked by a mid-Channel tunnel are being promoted, among others in Britain by British Telecom, GEC, Trafalgar House, British Steel, British Shipbuilders, Barclays Bank and Kleinwort and Benson.

Close behind, at 3-1, comes Sea Containers' plan for twin tunnels housing two lane motorways and an electric train running alongside.

The outsiders at 10-1 are Eurobridge, the consortium including ICI Fibres, John Laing and Arbuthnot Latham, which proposes a 35km road bridge; and at 16-1 the last-minute entrant, Theo van der Putten, with a scheme for 16 bridge and tunnel links.

Sharp will not quote a price against the outcome being no fixed link at all. If no-one wins, punters will get their money back.

Round trip

Politicians, on the whole, have a poor grasp of geography. Once outside their own back-yard, they soon lose all sense of direction.

Mrs Thatcher thought she was in Malaysia when she was in Indonesia; President Reagan was in Colombia but thought he was in Bolivia.

Senator Jesse Jackson got carried away in similar fashion during the anti-apartheid demonstration in London at the weekend.

"Freedom for South Africa," Jackson demanded. "Freedom for Namibia, freedom for Lesotho." Then, to some bewilderment among the marchers, he continued: "Freedom for Angola, freedom for Mozambique."

Ken Livingstone, GLC leader, tried to put Jackson back on the right track when the senator announced they would be meeting the next day in Piccadilly Square.

"Circus," prompted Ken. "OK, brothers and sisters, we" meet at Piccadilly Circles," said Jackson.

Hardship club

It may come as a surprise to many a HK$1m-a-year merchant banker or stockbroker, but Hong Kong has now been officially designated a "hardship post" for Canadian diplomats.

The British crown colony wins its "hardship" label, according to the Canadian Commission there, because of its humid, typhoonal climate, the lack of recreational outlets, the smallness of the territory, and the extreme population density.

But there has been some taxpayer resistance back in Canada to the Commission's decision to ease the lot of 34 of its staff by paying HK$4.8m (£430,000) to make them members of the exclusive Aberdeen Marina Club.

The investment was needed, apparently, because of the length of the waiting lists for the colony's other refuges from privation — the Jockey Club, the Yacht Club, the Cricket Club or the Hong Kong Club itself.

Observer

Foreign Affairs

When '50 per cent' does not mean half

By Ian Davidson

President Reagan, being interviewed by four Soviet journalists in the Oval Office last Thursday

PRESIDENT REAGAN has tabled a new arms control offer in Geneva, and has asked for an extension to the negotiating round in Geneva, so that it can be discussed. This is what his European allies asked him to do, and now he has done it. Surely, this is progress. But the honest citizen may still feel entitled to be more than a little perplexed as to what it all adds up to.

Essentially, he has three options. He can interrogate learned experts and number-crunching strategists, to find out whether President Reagan's new numbers for nuclear arms control are better than Mr Mikhail Gorbachev's. He can question media pundits and public relations consultants, to discover whether President Reagan is now ahead, behind or just level pegging in the propaganda contest. Or he can ask himself, privately, whether any of this is for real.

A month ago, Mr Gorbachev created a mild sensation by proposing a 50 per cent cut in strategic nuclear weapons. The US had long had an offer on the table for deep nuclear weapons cuts, though in presentational terms it looked like a smaller proportional cut than the new Soviet proposal. It appears that the new US offer raises the ante slightly, so as to match the propaganda criterion of "50 per cent."

The guts of the original American offer were that the two superpowers should reduce the total number of warheads on long-range ballistic missiles to an equal ceiling of 5,000 on each side; and that no more than half of this total should be on land-based missiles. The reason for this last provision was that the US is most worried by the very large and accurate Soviet land-based missiles, which accounts for most of the Soviet strategic arsenal.

While this looked, on theoretical grounds, like a reasonable proposition, it was criticised within the arms control lobby for being implausible in negotiating terms, precisely because it would require the Russians to make much bigger structural changes in their strategic missiles (both land-based and sea-based), the Soviet Union has about 9,200 such warheads; so that an equal ceiling of 5,000 would mean bigger cuts in Soviet forces. And whereas the US has about two-thirds of its ballistic missile warheads on submarines, the Soviet Union has about two-thirds of its ballistic missile warheads on land; so that a ceiling of 2,500 on land-based InterContinental Ballistic Missiles (ICBMs) would require the Soviet Union to cut its ICBM force by over 60 per cent.

Of course, that was the point: the Americans wanted to dig deep into the Soviet ICBM force, especially the giant SS 18s with 10 warheads each. But they did not boast about the 60 per cent implications, for obvious reasons.

The American offer was also one-sided in a different way: it remained deliberately vague about what should be done about strategic nuclear weapons on bombers — and this is a category in which the US has substantially larger numbers than the Soviet Union: 2,500 against 680. (The figures come from the International Institute for Strategic Studies; they may be slightly different from figures put out in the US, but it is the orders of magnitude which matter, and at least these figures are neatly printed in the Institute's brand-new Military Balance report.)

Predictably, the long-delayed Soviet response was one-sided in the opposite direction. The widely-advertised "50 per cent cut" would apply to launchers (missiles and bombers), rather than to warheads; and they reverted to a redefinition of "strategic," so as to sweep up all the US missiles and bombers based in Europe which could conceivably reach the Soviet Union.

The plus point in the Soviet proposal was that the Russians offered, for the first time, to place ceilings on warheads as well as on launchers. But the kicker was that the total warhead ceiling on missiles and bombers would come down only to 6,000 of which up to 60 per cent could be on any one leg of the triad—ICBMs, submarines, or bombers. Given the current grand totals, of over 10,000 US warheads and nearly the same number of the Soviet Union, a ceiling of 6,000 would only represent a 40 per cent cut; if combined with a 50 per cent cut in launchers, this would increase the ratio of warheads to launchers; while the 60 per cent criterion would mean that the Soviet Union could keep all its giant SS 18 missiles and about a third of its SS 19s.

Whereas the original American proposal was designed to hack away at the Soviet ICBM force, the new Soviet offer is designed to hack away at all the US nuclear forces, including those based in Europe.

The new American offer just tabled is more a modest revision than a major innovation, if first reports are to be believed. The missile warhead ceiling would be further reduced, from 5,000 to 4,500. Since the Russians have about 9,000 warheads on missiles, hey presto! we have a reduction of the magic 50 per cent. (Since the Americans have only about 7,500 warheads on missiles, their cut would be proportionately a lot lower.)

At the same time, the US has responded to the criticisms previously marshalled by the American arms control lobby, by raising slightly the maximum number of warheads that could remain on land-based ICBMs, from 2,500 to 3,000. So the Soviet Union would not be required to cut its land-based warhead total by over 60 per cent, but by only 53 per cent.

The honest citizen has reason to feel confused by all these figures. On the one hand, he may be inclined to suppose that there is a real negotiation under way, which is actually making some progress. The Americans made a proposal; the Russians replied, after an unconscionable delay; and the Americans have now made a counter-reply. Both sides are talking about deep cuts in warheads as well as in missiles which is what the Americans are most anxious about. Perhaps the honest citizen should entertain a little cautious optimism that something may emerge from this process.

On the other hand, he may find it difficult to distinguish between propaganda and real negotiation. Both sides are trying to appeal to public opinion by brandishing one-line slogans, like "50 per cent cuts"; but their real proposals are not so simple—how could they be?—nor are they intended to be so equitable.

The focus of this propaganda is the run-up to the Reagan-Gorbachev summit in Geneva in a fortnight's time. Mr Gorbachev attracted all the attention last month with his "50 per cent" offer, and there was serious concern in the West that President Reagan would look bad in the ratings if he failed to come up with a matcher well before the summit. Now he has done so; there are sighs of relief all round; and he has been rewarded with a rousing vote of confidence at last week's meeting of Nato defence ministers but does it really mean anything?

In the Russian view, the purpose of the summit is for the superpowers to undertake some serious business, starting with arms control. But President Reagan seems to be doing his best to play down the importance of arms control at the summit; indeed, it is still rather difficult to make out what he thinks is its real purpose.

In his interview with the BBC last week, he seemed to be arguing that the top priority was to reduce "suspicion and hostility" between the superpowers. "While I know everyone is emphasising a reduction in arms — this is vital and important—but I see reduction in arms as a result, not a cause. If we can reduce these suspicions between our two countries, the reduction of arms will easily follow, because we will have reduced the feeling that we need them."

Just how these suspicions are to be reduced was not made entirely clear, but it appeared, as in Mr Reagan's previous speech to the UN General Assembly, that the road to international harmony and peace would lie in a Soviet commitment to stop meddling in Third World trouble spots such as Afghanistan, Ethiopia and Angola. President Reagan's aspirations may be understandable, but it is hard to imagine that Mr Gorbachev is about to satisfy them—even harder to imagine in what terms such a commitment could be negotiated.

The clearest thing to emerge from the BBC interview is that President Reagan remains passionately committed to a view of his Star Wars anti-missile defence programme (the so-called Strategic Defence Initiative), which is some distance away from any reality, technological or political. He still seems to believe that a perfect astrodome defensive system can be achieved, and that within a matter of years; and that Soviet objections to this programme can easily be assuaged by a solemn promise by the US that it will share this system with the Russians ("off the shelf?" —"why not?") when that bright day dawns.

There may be a few people in America who still believe in President Reagan's Utopian vision of what Star Wars can deliver, but not many. Most experts now take a much more cautious view. But there can be almost nobody who imagines that Mr Gorbachev will be impressed by Mr Reagan's offer to share Star Wars with the Soviet Union at some distant date in the future.

If the President is serious about nuclear weapons reductions, he must sooner or later radically change his tune on Star Wars. Perhaps he does not need to do it just yet. Since it was Star Wars which brought the Russians back to the negotiating table, and then induced them to make their historic "50 per cent" offer, maybe Mr Reagan should withhold concessions on this defensive side of the equation until a deal on offensive weapons is within reach. But for the President to be still talking in such visionary terms does not suggest that he is positioning himself for a realistic negotiating strategy. In which case, we may face a very difficult propaganda situation if the summit ends without any meaningful result.

Lombard

Housing costs and inflation

By Clive Wolman

A CUT in mortgage interest rates is good news for the country and a rise is bad news, according to conventional wisdom. Governments have gone so far as to enshrine this assumption in the measure of the rate of inflation which, according to the Chancellor, is "judge and jury" of the Government's monetary policy—and, for many Tories, of its entire economic policy.

The trouble is that the most important member of the jury, mortgage interest rates, is bent, as the Treasury recently told the Retail Prices Index advisory committee. The inclusion of this item, which is rapidly becoming the biggest in the RPI, underlines much of its usefulness as a measure of inflation.

According to those who defend its inclusion, an increase in the mortgage interest rate is an increase in the cost of living for borrowers. When interest rates rise from, say 10 to 12.5 per cent, the cost of living to a home owner servicing a £10,000 mortgage rises from £1,000 to £1,250 a year, they point out.

But the amount of money borrowed on mortgages from building societies and banks by home-owners more or less equals the amount of money invested in banks and building societies by depositors on which they earn interest. When the mortgage interest rate rises, one group's loss is offset almost exactly by another group's gain. More specifically, a rise in mortgage interest rates means a transfer of income from the 25-to-45 age group, where the borrowers are concentrated, to the 55-to-75 age group where the lenders are concentrated.

Thus when interest rates rise from 10 to 12.5 per cent, the cost to a saver, typically a pensioner, of buying a perpetual annuity of £1,000 falls from £10,000 to £8,000.

The RPI is supposed to measure the prices of retail goods and services. But the provision of mortgage funds to home owners by building society or bank depositors is no more a "retail service" than the "provision" of a regular investment income to depositors by home owners.

Strictly speaking, the building societies, banks and finance houses, when acting as intermediaries between lender and borrower, offer a genuine retail financial service. Their charges, as reflected in the spread between their lending and investment rates, could legitimately be included in the RPI.

The lumping together of apples and pears in the RPI has several bizarre consequences. These are three of the main ones:

•Suppose borrowers start to rely less on consumer loans, which are never included in the RPI, and more on mortgages (even if they buy cars and not houses with the money). This shift should cut their interest costs. However, the result is that the RPI rises even without any change in mortgage interest rates or in house prices. At present the RPI is rising at a rate of 0.36 per cent per year because of this factor.

•The Government cuts the basic rate of tax. Result: the RPI rises because mortgage interest is calculated after tax relief.

•The Government raises interest rates to cut the demand for credit and reduce inflationary pressures. Result: the rate of inflation, as measured by the RPI, appears not to fall but to rise, as happened earlier this year.

Mortgage interest was originally included in the RPI 10 years ago as a proxy for housing costs. This followed complaints that an upsurge in the mortgage rate could not be matched by pay increases under the Heath Government's statutory incomes policy because it was not reflected in the RPI. In fact, as inflation soared, home-owners benefited from paying negative real interest rates.

The RPI advisory committee, due to report early next year, should recommend a return to the previous measure of housing costs, namely imputed rent, which measures the rent paid by tenants, or forgone by home owners from occupying instead of letting their premises. This is the measure used in Japan, West Germany and the US, which recently abandoned the inclusion of mortgage rates. In the UK, imputed rent is the basis on which domestic rates are levied—or at least would be levied if the values were not 12 years out of date.

Letters to the Editor

Looking for work

From Mr P. Convery and Dr D. Taylor

Sir,—Contrary to your report (October 31) that almost 1m unemployed are not seeking work, the Employment Gazette analysis of the labour force survey lends itself to a different interpretation.

It indicates that 870,000 people not identified in the monthly "official" unemployment count are actively looking for work even though they are not eligible for unemployment benefits.

The survey shows that some 200,000 unemployed claimants were engaged in some form of paid work during the reference week (the week before they were questioned for the survey). The Gazette article makes it clear that many of these would have been undertaking the modest amount of part-time work permitted by the unemployment benefit and supplementary benefit regulations. Others would have been people who became unemployed part-way through the reference week. It would be perverse to assume that none of them would take full-time properly paid jobs if they were available.

A mere 1.6 per cent of the 3.3m unemployed benefit claimants are categorically identified by the survey as "not wanting or needing" employment.

The number of people stating that they had not looked for work in the week before they were questioned reflects more on the non-availability of jobs than on their motivation. As the Department of Employment's figures indicate, there are at least six unemployed benefit claimants chasing every available job in the economy.

With 41 per cent of the unemployed workforce now having been without work for at least 12 months, and the average spell of unemployment standing at nine months, it is little wonder that some people have given up actively looking for work.

On the whole, the survey results suggest a jobs gap (the number of jobs that need to be created to reduce unemployment to zero) approaching 4m.

Paul Convery,
Dr David Taylor,
Unemployment Unit
9 Poland St, W1

Finding the postcode

From the Head of Letter Planning, The Post Office

Sir,—There are many ways Mr Clements (October 29) can find his own and other people's postcodes. Postcode directories covering every address in the country can be consulted at main post offices and many public libraries. There is also a postcode inquiry number in every telephone directory under "Postal Services." In addition, local postcodes are listed in Thomson Local Directories which cover 80 per cent of homes in the United Kingdom. A full set of postcode directories is also available free of charge to businesses.

Another good practice is for everyone to quote their own postcode on all business and personal mail so that letters sent in reply will be coded.

I should add that no letters will be deliberately delayed, as suggested by Mr Clements, but of course letters carrying the postcode speed through our automatic sorting machines much faster.

Colin Johnson,
33, Grosvenor Place, SW1.

Longer summer time

From Mr P. Robeson

Sir,—Mr Clive Wolman (Lombard, October 25) advanced the arguments for a return to the 1968-1971 experiment in year-long BST. I was a member of the foreign exchange market during those years and recall well the impact of it. I never regretted its abandonment and would hope that this (Wilsonian) experiment is never resurrected. It was—and would be, no doubt — fine for the dealers and brokers but it was no joke for the rest of the population whose way of life did (and does) not require them to distort their winter days to match those of people longitudinally east of us. I have in mind particularly children going to school in pitch-dark mornings in the main winter months with unlit shops and often unlit streets (whereas in the evenings there are always lights). The proponents of this idea argue that it was only the Scots and the farmers ("just two small groups") who opposed it: despite my name and present rural address I represent neither of these categories; I can recall considerable widespread resentment from all but a few—inevitably work-related —groups.

I would offer two suggestions. Maybe BST could with advantage be extended both into November and from sometime in March: it is perhaps the case that the period of BMT is at present too prolonged. But rather than the tail wagging the dog and the City subjecting the rest of the country to year-round BST, why should not those concerned adopt the practice (which my own bank followed in those days) of staggered hours so that in, say foreign exchange departments, the dealers (who after all come in early anyway) receive a measure of back-room support from their start to their finish?

Peter Robeson.
Thatchers,
Happisburgh,
Norwich, Norfolk.

Stock Exchange entry fees

From the Chairman, The Stock Exchange.

Sir,—One correction, please, to your excellent summary (November 1) of the Stock Exchange's proposals. You say that in March we "indicated that charges for outside financial groups seeking to control Stock Exchange firms could be around £500,000." This figure was an estimated maximum cost to the largest potential new entrant. Most new entrants under the earlier proposals, which were based on taxation of revenue, would have paid far less. On present plans the new methods of assessment will also attempt to make allowances for relative size.

(Sir) Nicholas Goodison,
The Stock Exchange, EC2.

Borrowing and lending

From Mr J. Bartlett

Sir,—The concern of Mr N. Bowie (October 29) about a borrower from the Halifax Building Society is misplaced.

Obviously the prime purpose of finance for the borrower is to purchase a house, but the lender is acting merely as a bank, having more regard for financial strength of his mortgagor than the property itself. No building society would I am sure lend to a bankrupt or unemployed vagrant no matter how valuable the security.

Furthermore, since earnings typically keep pace with inflation and house prices are in turn closely related to wages, provided the security is in a high demand area, say, central London, even with indexing all parties should be happy with an index-linked loan. The fact that inflation may or may not continue for a further 35 years is in a sense of little relevance since if prices do fall so will the index-linked portion of the debt.

By comparison the majority of commercial leases provided for an initial contracted rent with a further review after five years to entirely unanticipated figures and yet this is very widely adopted throughout the country. This surely assumes the principle of "a little now and an unknown amount later."

James Bartlett,
The Mount,
Batchworth Hill,
Rickmansworth, Herts.

Credit reporting agencies

From Mr J. Savage

Sir,—The report by William Dawkins (October 29, Management Page) examined Britain's credit reporting agencies, but he could have mentioned that reports are also available on overseas customers on whom exporters often have little or no information to support their commercial judgement.

Clearly it is important to obtain as much information as possible on a business's financial health and ability to pay before supplying goods, but if a customer fails to pay, subscribers to the service should be aware that there is no recourse to the credit reporting agency, even if the report on the customer indicated that they appeared to be in a sound financial state. Credit insurance is required to provide the necessary protection against bad debts.

J. R. Savage,
Risk Administration,
41, St Mary Axe, EC3.

New verb needed

From Dr F. Heller

Sir,—I have just spent some time in Shanghai and was reminded that in the 19th century the verb "to Shanghai" was used to describe unsavoury practices associated with that port. Today its business practices are above reproach, while Hong Kong, or at least its international airport, is rapidly earning a reputation for exploitation for which a new verb may have to be coined.

Some underdeveloped countries charge an airport fee at the last moment when you least expect it, but usually it is a matter of a few pounds. Hong Kong, a centre of great wealth, charges £15, which is outrageous. Airlines are much too passive about this kind of exploitation of their passengers. Then there is the so called "duty free." A beautifully made pure Cashmere pullover in Shanghai costs £27, in Hong Kong—with a different label — it costs £120. A camera which was £75 in Hong Kong's main shopping streets, presumably including tax, cost £110 in the airport "duty free" shop.

Dr Frank A. Heller,
(Director—Centre for Decision Making Studies),
The Tavistock Centre,
Belsize Lane, NW3.

FINANCIAL TIMES

Monday November 4 1985

Terry Byland on Wall Street

Short-lived rally for retailers

THE excitement in retail stocks that followed the proposed $3.6bn management buy-out of R.H. Macy, the premier department store begins to look like a one-day wonder. Even setting aside stock in Macy itself, which remains resolutely around 18 per cent below the $70 indicated buy-out price, the sector has failed to live up to its brief moment of excitement.

"We do not expect many others (buy-outs)" said Mr Paul Rothman of Advest, the brokerage firm, voicing his own and the general view of the street. Nor have any been forthcoming, and prices, even in those stocks which featured in the speculative flurry, have given up much of the brief speculative rise.

That is not to say that there are not several leading retailers that are attractive break-up targets because "their parts are worth more than the whole," as Rothman puts it. But hid excitement has been cooled by doubts over the cost of financing hids for the huge retail chains. Most of the big groups have invested heavily in new store openings and in the upgrading of existing outlets. Takeovers, either from inside or outside the company, would have to be paid for by selling off properties, or reversing diversification policies.

May Department Stores, a notable speculative favourite, has 145 stores and more than 50 discount

Company	P/E
Allied Stores	8
Federated Dept	10
May Dept	10
Macy	16
S&P 500	12

centres scattered throughout the US. Federated Department Stores, another, owns stores ranging from New York (Bloomingdales) to Los Angeles (Bullocks), Atlanta (Rich's) and so on.

But retail premises are not always as easy to sell as might appear. They are of interest only to other retailers, not to builders of town houses, condominiums or chic but tiny restaurants.

Another reason why the stocks have calmed down is that the sector was already comfortably close to its 52-week high on trading grounds. May, Federated, Allied and J.C. Penney are all within a cent or so of their year's highs. While Macy's recent strength is based on the extremely generous buy-out terms.

If hopes of a flood of retail takeovers seems unlikely, then it seems difficult to justify any further rise in stock prices at the moment. The profits profile for this year is unexciting, although 1985 has gone better so far than seemed likely last January.

Analysts are confident of a good Christmas selling season. Consumer debt is high, but so is consumer confidence and unemployment remains subdued. There are no signs of the fiasco of the 1984 selling season when a sudden check in consumer spending left the stores with mounds of inventory

But there is some nervousness over the medium-term outlook. The slump in car sales as soon as generous financing plans were ended suggests that consumers may tighten their purse strings no January 1.

It is against that slightly uncertain prospect that retail stocks are being judged no Wall Street. Federated Department Stores, selling on almost the same earnings multiple as the Standard & Poor's 500 stocks, might take a tumble in the new year if no hid materialises. Even with a better profits outlook for next year than most of the sector, Federated is leaning heavily on the property interests that fuelled the recent speculative interest.

May Department Stores may bave similarly outrun its trading prospects. With an earnings ratio also close to that on the S&P stocks, the stock is hoping for a strong opening to the new year – in contrast to Wall Street's view of the industry outlook.

More conservatively priced are some of the issues that ignored the speculative uptick that followed the Macy news. Allied Stores, with a comfortable rise in earnings expected this year, is selling on 8.5 times prospective profits, indicating that the stock market is already prepared to take some disappointments in next year's opening quarter.

Investors might do well to steer clear of the more highly priced retail issues, were it not for the new joke card introduced into stock market calculations last week. If U.S. interest rates are to be brought down as part of a concerted move to lower the dollar, then the store groups will follow the interest-rate-sensitive stocks upwards. Lower short-term rates will do wonders for inventories as well as, one hopes, stimulating the economy. But takeover speculation alone will not do the trick.

Controversy over Rainbow Warrior sinking might be revived, reports Paul Betts

Greenpeace row may re-surface

THE START of the trial in New Zealand today of the two French secret service agents accused of being involved in the sinking of the Greenpeace ecological movement's flagship Rainbow Warrior is likely to revive the political controversy over the so-called "Greenpeace affair" in France this week.

However, there are few signs at this stage that the latest chapter in the affair risks provoking another full-blown French political crisis like that which led to the resignation last month of Mr Charles Hernu, the French Defence Minister, and of Admiral Pierre Lacoste, head of the French foreign intelligence service (DGSE).

Indeed, since the resignations of Mr Hernu and Admiral Lacoste, the Greenpeace affair has virtually disappeared from the front pages of the French press. It also seems to have been successfully buried so far by the Government.

Moreover, the French Government has been negotiating with New Zealand to resolve the bilateral issues raised by the sinking of the Rainbow Warrior. Those negotiations are understood to have been taking place in New York during tha United Nations General Assembly with the two governments seeking to reach an acceptable compromise on the financial compensation France should pay and on the fate of the two French agents caught by the New Zealand police.

During the past two weeks, the Socialist Government has acted resolutely to smother the scandal, which seriously risked putting in the balance the Government of Mr Laurent Fabius, Prime Minister, and in so doing undermine the authority and position of President François Mitterrand.

Gen René Imbot, the new head of the foreign intelligence service, made an unusual and forceful appearance on French national television to say that he had "bolted all the doors" in his service and that there would be no more leaks such as that which had led to the political scandal in France. Since his statement, there have so far been no big new disclosures on the affair.

Mr Paul Quilès, the new Defence Minister, and Mr Fabius himself also attended the latest series of nuclear tests in the Pacific to show the French Government's determination to pursue its nuclear policies.

As a further example of the new "hard line" adopted by the defence establishment, Mr Quilès suspended a general at the weekend for baving publicly criticised the state of the French tank forces. Gen Philippe Arnold claimed that France's tank forces trailed behind those of the UK and West Germany.

A further sign of how the controversy over the Rainbow Warrior sinking has died down is the increasing popularity of Mr Hernu, who said at the end of last week he would consider running for the French presidency in 1988 if President Mitterrand did not stand again.

But the lull in the Greenpeace affair might none the less be disrupted by the start of the preliminary hearings of the trial of the two French agents. Mr Quilès on Saturday spoke on the telephone to the two agents, who risk life imprisonment if found guilty of causing the death of the Greenpeace photographer who was on the Rainbow Warrior when it was blown up last July.

Mr Quilès expressed his personal support for the two agents.

The right-wing opposition parties, which have generally avoided using the Greenpeace affair to attack the Government in the past two weeks, are likely to seize the occasion of the trial to needle the Socialists further.

Mr Jacques Chirac, leader of the neo-Gaullist RPR party and also mayor of Paris, referred to the Greenpeace affair at the end of his television debate with Mr Fabius last Sunday.

Mr François Léotard, head of the centrist Republican Party, said in a similar vein yesterday that it was not so much the trial of the French agents which was starting but "the judgement on Mr Fabius and in a certain way of Mr Mitterrand."

Sinn Fein fears UK ban may follow an Anglo-Irish pact

BY HUGH CARNEGY IN DUBLIN

STRONG FEARS emerged during the annual conference of Sinn Fein, political wing of the IRA, in Dublin at the weekend that any agreement resulting from the present Anglo-Irish talks on Northern Ireland would be a prelude to a British crackdown on the party, including possible proscription.

At a private session yesterday, delegates were reported to have been told by Mr Gerry Adams, party president, that Sinn Fein believed there was a plan to proscribe the organisation within a few months of a London-Dublin agreement.

That was echoed by Mr Martin McGuinness, Sinn Fein Londonderry councillor. He told journalists on Saturday that the party was the main target of the talks and he considered proscription a possibility. "We have to brace ourselves for an offensive by the British Government," he said.

Unionists have strongly pressed London to curb Sinn Fein, which has caused uproar in Northern Ireland local government since it won 59 local council seats earlier this year. Mr McGuinness said action against Sinn Fein was meant to stem Unionist hostility to an agreement with Dublin.

In his speeches to open sessions of the conference, Mr Adams sought to steady Republican nerves over the talks, which are in their final stages. Both governments have cautioned that an agreement is not guaranteed but there is widespread speculation that a deal will be concluded within the next few weeks, giving Dublin a consultative role in the province's affairs and strengthening border security.

Mr Adams said the talks were aimed at isolating Sinn Fein and that any concessions made by Britain would be no more than "minor appetisers." Noting rejection by Mrs Margaret Thatcher, the UK Prime Minister, last year of all three proposals for Northern Ireland set out in the Irish Forum Report, he said: "I hereby give notice to Margaret Thatcher and her cronies in Dublin that we have no intention of ceasing to be successful... We intend to be successful again and again and again."

In an unexpected intervention in a debate on the Anglo-Irish talks on Saturday, Mr Adams told delegates not to be nervous about the outcome. Sinn Fein would not be defeated and would not renounce the right of the IRA to wage an armed struggle.

Mr Adams received standing ovations before and after his presidential address. But there was defeat for the leadership in an attempt to soften the party's stand on abstention from British and Irish parliamentary institutions. Although Sinn Fein members have been elected to both parliaments and to the Northern Ireland Assembly, the party refuses to take its seats.

Underlining his disquiet over the Anglo-Irish talks, Mr Charles Haughey, Irish Opposition leader, told a youth conference of his Fianna Fail Party on Saturday that the talks would be a "fraudulent waste of time" if they reaffirmed British sovereignty over Northern Ireland. British officials have said repeatedly that sovereignty was not under discussion.

Channel tunnel wins US, Japan backing

By Paul Betts in Paris

A NUMBER of major international investors, neither British nor French, have openly pledged their support for the first time for a fixed link across the English Channel by backing one of the competing projects for the huge civil engineering venture.

Société Générale de Belgique and Société Nationale d'Investissement de Belgique, and the Banca Commerciale Italiana, have decided to take a stake in the France-Manche consortium which is the French partner of the British Channel Tunnel Group proposing to build a twin-bore rail tunnel at a capital cost of £2.6bn ($3.7bn).

Salomon Brothers, the US investment firm, and Nomura Securities of Japan, have also agreed to back France-Manche and the Channel Tunnel Group by raising significant funds on their respective financial markets for the project.

Moreover, France-Manche said a number of new French investors had also decided to join the consortium including the Crédit Agricole, the large French agriculture banking group, the nationalised Compagnie Financière de Suez, the Group Drouot and the Société Lyonnaise des Eaux.

The announcement that leading international groups were teaming up with the France-Manche/Channel Tunnel Group consortium comes only a few days after the deadline last Thursday for the submission of projects to the British and French Governments

France-Manche/Channel Tunnel Group is regarded, with the Euroroute consortium, as one of the two leading contenders to win the huge, fixed-link project.

France-Manche already groups a series of French construction companies including Bouygues, Dumez, SAE, SGE, and Spie Batignolles and a number of nationalised banks including Crédit Lyonnais, Banque Nationale de Paris and Banque Indosuez.

Its UK partners in the Channel Tunnel Group are Balfour Beatty, Costain UK, Tarmac Construction, Taylor Woodrow, Wimpey International, National Westminster Bank and Midland Bank.

Its rival Euroroute consortium is proposing to build n bridge and tunnel link across the Channel. It includes in the UK companies like Trafalgar House, British Telecom, Associated British Ports, GEC, British Steel, British Shipbuilders, Barclays Bank, Kleinwort Benson and John Howard construction company.

Its French promoters are Société Générale, the French nationalised bank, and Banque Paribas, Alsthom, CGE, the Usinor steel group and GTM-Entrepose.

EMS 'could cut UK inflation'

Continued from Page 1

stable environment for business planning, and that currency disturbances emanating from the oil market could be handled within the EMS framework.

The system could not be a substitute for fiscal and monetary system discipline, however, and the LBS argues strongly against taking the pound in at an undervalued rate.

"...A moment's thought will reveal that, if one purpose of EMS membership is to provide the discipline needed to get inflation down, then there is little point in joining with a large competitive advantage."

"It is only when firms are confronted with an actual or imminent competitiveness handicap that the EMS discipline starts to work," it says.

An added benefit of British participation, it argues, would be that it could serve to reassure financial markets about the firmness of the authorities' anti-inflation resolve following the need to revise the targets for sterling M3.

Turning to domestic matters, the LBS says the scope for tax cuts in Britain next year may total only £1bn ($1.44bn) rather than the £3½bn envisaged in the Government's medium-term financial strategy.

It says a stronger pound and lower oil prices could cut the Government's North Sea oil revenues to £8.3bn in the financial year starting next April. That would compare with the £11.6bn expected this year.

Even £1bn of tax cuts in the next budget will have to be balanced by an equivalent amount of asset sales in each of the next four years, because reductions in one year create a permanent loss of revenue in future years, the LBS says.

Economic Outlook Vol 9, No 10, London Business School Centre for Economic Forecasting. Subscription UK £90, Europe $170, from Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire.

LONDON BUSINESS SCHOOL FORECAST FOR UK ECONOMY

% change unless otherwise shown	1985	1986	1987	1988	1989
Gross domestic product: output	3.6	2.4	2.1	2.2	1.5
(excluding oil)	3.7	2.5	2.4	2.6	1.9
Inflation (consumer prices)	4.8	4.3	4.6	4.0	3.7
Components of demand (volumes)					
Consumers' expenditure	2.5	3.8	3.7	3.1	2.4
Total fixed investment	2.1	1.4	1.4	5.5	3.9
General government consumption	1.3	1.5	0.9	0.8	0.8
Stock building (£bn 80)	0.6	0.6	1.1	1.6	1.4
Exports of goods and services	7.3	3.7	2.5	2.3	2.1
Imports of goods and services	3.6	4.8	4.8	8.3	3.8
Financial background					
Public sector borrowing requirement (£bn fin yrs.)	7.9	7.5	7.4	7.1	7.5
Money stock sterling M3 (% change in fin yr)	11.0	9.7	6.2	4.4	2.2
Exchange rate (sterling index, 1975=100)	78	77	76	75	77
Labour market					
Wages & salaries per employee	8.3	7.1	6.6	6.1	5.1
Average earnings in manufacturing	9.3	8.0	6.8	8.0	5.6
Registered adult unemployment (UK, millions)	3.2	3.1	3.1	3.0	3.0
Current balance of payments (£bn)	3.4	2.6	–0.2	–3.5	–4.6

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	18	64	Malaga	S	21	70	Salzburg	F	7	45
Akrotiri	S	23	73	Faro	F	22	72	Malta	F	23	73	Seoul	S	16	61
Algiers	C	21	70	Florence	F	15	59	Manila	C	31	88	Singapore	S	30	86
Amsterdam	C	7	45	Frankfurt	S	6	43	Miami	C	30	86	Stockholm	Sl	2	36
Athens	F	22	72	Funchal	F	22	72	Milan	F	11	52	Strasbourg	C	6	43
Bahrain	S	28	82	Geneva	F	8	46	Moscow	S	3	37	Sydney	S	24	75
Bangkok	S	32	90	Gibraltar	S	21	70	Munich	F	5	41	Taipei	C	23	73
Barcelona	F	15	59	Guernsey	F	11	52	Nairobi	T	23	73	Tangier	—	—	—
Beirut	S	23	73	Helsinki	Sl	3	37	Naples	F	15	59	Tehran	—	—	—
Belgrade	S	14	57	H. Kong	S	24	75	New Delhi	S	28	82	Tel Aviv	S	25	77
Berlin	C	6	43	Innsbruck	F	9	48	New York	C	14	57	Tenerife	—	—	—
Biarritz	R	15	59	Inverness	F	5	41	Nice	F	17	63	Tokyo	S	16	61
Blackpool	R	3	37	Istanbul	F	17	63	Oporto	C	15	59	Toronto	S	12	54
Bordeaux	F	15	59	Jersey	S	11	52	Oslo	S	6	43	Tunis	F	20	68
Brussels	S	7	45	Jo'burg	F	21	70	Paris	S	8	46	Valencia	F	28	82
Budapest	S	11	52	Las Palmas	S	24	75	Prague	S	5	41	Venice	S	14	57
B. Aires	F	17	63	Lima	F	21	70	Reykjavik	S	-3	27	Vienna	S	11	52
Cairo	S	21	70	Lisbon	F	19	66	Rio de J'o	R	35	95	Warsaw	F	7	45
Cape Town	S	25	77	Locarno	C	15	59	Rome	C	17	63	Zurich	F	8	46
Caracas	—	—	—	London	S	9	48								
Casablanca	—	—	—	Los Angeles	C	28	82								
Copenhagen	F	8	46	Luxembourg	S	3	37								
Corfu	F	20	68	Madrid	F	14	57								
Dublin	S	8	46	Majorca	F	21	70								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Mediobanca struggle

Continued from Page 1

Mediobanca, Dr Cuccia in 1955 devised a secret control syndicate in the bank giving four shareholders who together hold only 1.57 per cent of the equity – Pirelli, Lazard Freres, Berliner Handelsbank and Lazard Brothers of London – an equal say in decision making.

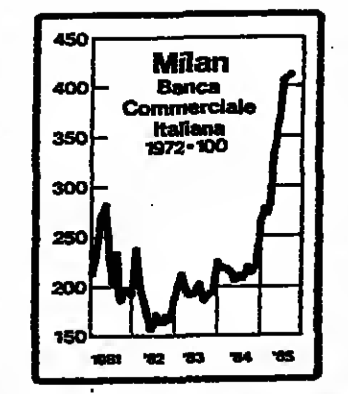
The Mediobanca issue was taken up by politicians over the weekend. Italy's Christian Democrats, which support IRI and Prof Prodi, favour an end to what they see as Dr Cuccia's hegemony. Republican politicians – who are closer to Mr Agnelli – allege that the attempted ousting of Dr Cuccia is the first stage in the politicisation of the bank, allowing tha interests of big political parties to take precedence over business logic. The Socialist party of Prime Minister Bettino Craxi – which opposes Christian Democrat influence at IRI – has also attacked the IRI position.

Dr Cuccia's supporters at Mediobanca, chiefly in the person of Mr Agnelli, have threatened to "abandon" the bank if the 78-year-old director is not reappointed. But a withdrawal by the Agnelli-led group would appear to play into the hands of IRI and is therefore seen in financial circles as a bluff.

THE LEX COLUMN

See Milan and buy

If it's 1985, it must be Italy: those institutional package tourists on whirlwind tours of out-of-the-way European stock markets have liked Milan and decided to stay. So far this year, the Banca Commerciale index of the Milan bourse, which handles all but a small fraction of Italian turnover in equities, has added 75 per cent to its value.



Five per cent of the market is now held by foreigners; and for every Boston fund manager who sold out on the Black Thursday of the government crisis, there was another in the City of London to bet that it would bowl along, government or no government.

That a market yielding 3 per cent should be considered cheap in international comparison is certainly odd. And, even allowing for the substantial weight of Italian depreciation charges, a historic price/earnings multiple of over 20 hardly drops Milan into the bargain-of-the-year slot. But most international investors have exchanged Anglo-Saxon valuation methods for a simple glance at the demand side of the equation.

The harassed fund managers of the new Italian unit trusts must handle roughly a billion lire of cash flow from the public every hour. Those maiden institutional investors may well stop Milan reverting again to the rather seedy gentlemen's club for the allocation of capital gain between friends. But a market capitalised at just over $40bn, or 13 per cent of official GNP, has some way to go as a functioning source of the risk capital Italy needs.

Savings pool

Italy is one of the world's great hoarding nations. Yet to gain access to a pool of savings more-or-less equal to the accumulated national debt, the state not only requires exchange controls but must offer the public a tax-free real yield of almost 7 per cent of short-term government securities.

Confidence in the state pension scheme, Imps, which faces costs in the next century that beggar those of Britain's Serps, is just as low. Life cover is minimal and the collapse of the inflationary boom in property in 1981 left many savers desperate for a place to put their money – other than a suitcase on the Lugano train.

In retrospect, the law authorising unit trusts based in Italy in March 1983 was bound to have an impact on the equity market; but with the commercial banks entering the field to protect their deposit base, the trusts have seen a tenfold increase in funds under management so far this year. If the 10 old Luxembourg-based trusts are added, the movement now owns 8 per cent of the market. Only a third of that total is invested in equities; but that has not been for lack of running after a free float as little as 40 per cent of the market's capitalisation.

Since the 1981 boom was primarily account trading – now restricted by the Consob, the regulatory authority – this is the first surge in real liquidity for 25 years. Operators as diverse as Carlo de Benedetti, who will raise some L700bn this year one way or another, and Montedison, which is bringing forward its mammoth rights issue, have taken the point.

The result is that the old pyramid of Italian share ownership – with Mediobanca as its cornerstone – has begun slowly to flatten, while the state holding company, IRI, is finding excellent conditions for the divestitures which will cut its dependence on state endowment (and the politicians). The banks are selling out their old underwriting sticks with a vengeance, but this year's only new issue of significance was Sirti, from which the public was excluded in the grand old way. The 20 or 30 new companies being prepared for the market next year will scarcely redress the imbalance between new money and new equity.

Italian industry remains overwhelmingly dependent on debt finance. Many small and medium-sized companies would rather borrow on overdrafts secured against assets than open their books to subsidised medium term credit institutions – let alone to outside shareholders and the tax man.

The improvement in productivity achieved in the corporate restructuring of the early 1980s – often at the expense of a state ready to look after the laid-off workers – has worked through to profit just at the time when high real interest rates have made borrowings most unattractive. But rather than have recourse to low-yielding equity, medium-sized companies are living off their cash flow and forcing the banks to drop their loan rates. If this conservatism is inhibiting capital formation, the prospects for earnings growth are scarcely encouraging beyond next year, where an average earnings increase of 30 per cent is expected and theoretically discounted.

The response of the authorities has been to try to balance a unit trust law with a so-called merchant banking law, which permits commercial banks to take equity stakes in companies. The Government hopes to see the banks nurturing companies towards the stock market; but it is just as likely that the banks will do little more than consolidate their questionable loans into equity and live off the proceeds of compulsory merchant banking fees. Mediobanca's near-monopoly has been chipped away already: for example, it is not handling the flotation of Benetton. But it will not be easy for the banks to liquidate their investments in the stock market for the foreseeable future, even if they should wish to.

Exchange control

Foreign investors face an unusual number of imponderables. While exchange control looks a fixed part of the landscape, a higher allowance to the unit trusts – to invest, say, 15 per cent of their assets abroad – would relieve some of the demand pressure on the index. Equally, for all the pious hopes that interest rates (and the debt service component of the budget deficit) will follow inflation down, the new coalition will probably find it no easier to put public finances in order than the old one.

Trading in equities is cumbersome and, with over half the business done off the floor, the opposite of transparent. The clearing system is breaking down under the weight of record turnover for domestic transactions, let alone those involving foreign investors. The Consob is finding its feet and insisting that all listed companies produce an audited, consolidated balance sheet for the 1985 year's trading. But what is one to make of so large a group as Pirelli and its "aggregate" figures based on a form of current-cost accounting peculiar to the group.

SECTION III

FINANCIAL TIMES SURVEY

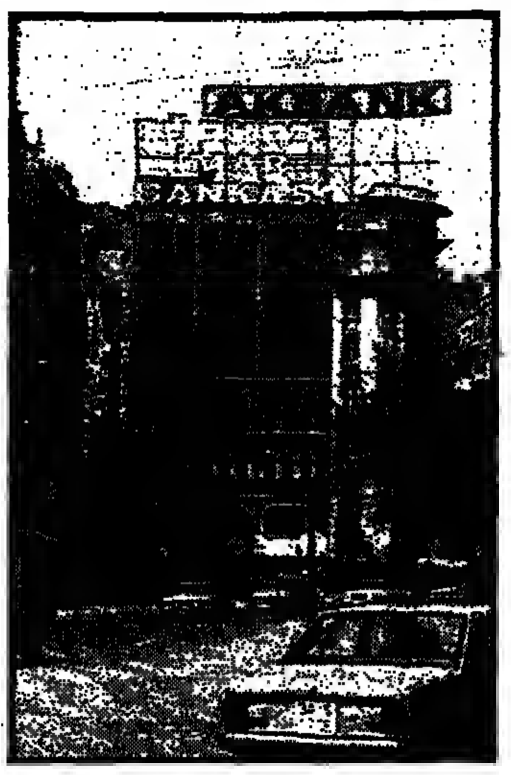
TURKEY

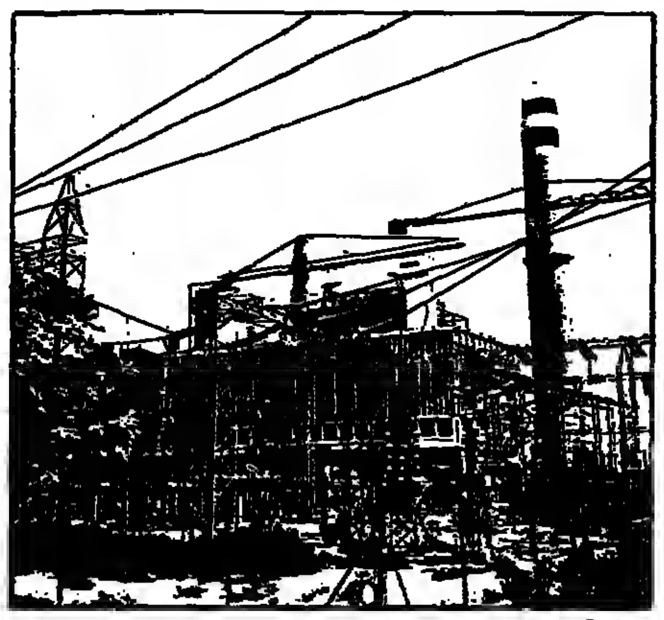
BANKING · INVESTMENT · TRADE

The political and economic stability Turkey has enjoyed over the last two years is enabling the economy to adapt to the needs of the 1980s. Politics are livening up but Mr Ozal is firmly at the helm

Good progress on a middle course

By DAVID BARCHARD, Ankara Correspondent





The banks, investment projects and exports are being transformed by the new business climate established by the Ozal Government

CONTENTS

THIS YEAR has been one of gradual consolidation in Turkey. The new export-oriented economic and trading conditions which the Prime Minister, Mr Turgut Ozal, has iotroduced are now settling down and politics are beginning to look less artificial after a series of realignments in the major parties.

As usual, Turkey has steered a middle course between extremes. The civilisation institutions set up in 1982 by the military before banding over power after general elections have endured and Mr Ozal's efforts to open up tha economy continue. Those wbo predicted a rapid breakdown of either institutions or economy have been proved wrong.

But there is a feeling that the country is still in transition, economically and politically, after the crisis of the late 1970s and the 1980 military takeover.

On the economic front, Mr Ozal bas cause to be broadly satisfied with 1985 even if his basic target—of bringing inflation down to 25 per cent—has not been met and growth has slackened from 5.9 per cent last year to about 3.8 per cent. Exports have continued to grow by about 12 per cent and may touch the $8bn mark by the end of the year, despite the removal of subsidies and much tougher measures to detect fraudulent export invoices which subsidies tended to attract.

Although the country is still running a trade deficit of around $2.5bn or more, the current secount deficit is expected to shrink from $1.4bn last year to $800m. Turkey also seems to be traversing the "hump" of its debt repayments schedule in reasonably good shape. Some foreign currencies have never before been so pleotifully available.

The delays in payment for importers and foreign investors which were routine five years ago are now forgotten. Turks can buy foreign currency over the counter in any bank and—when the payments situation improves sufficiently to halt tha steady depreciation of the TL—there is even talk of taking the final steps towards convertibility.

The basic questions which tend to be asked about Turkey are therefore usually medium or long-term ones. Are Mr Ozal's policies really working their way through the business and administrative system and achieving a lasting transformation? Could they be reversed by some future government of a different political complexion?

That business life is being irreversibly transformed by the new climate seems clear. The Istanbul business world, which along with the rest of Turkish manufactuing industry bas enjoyed less buoyant conditions in 1985 than it did in 1984, when the sector grew by 10 per cent, does not find life easy.

But it is changing. Accountancy has become a serious discipline. Managemeot is being improved. New export markets are being sought. Nasas, Turkey's main private-sector aluminium producers for example, used to export $3m of its products. This year it bopes to export $30m, not bad for an industry which was originally established with the domestic market in mind.

Similar changes are taking place in Ankara in the upper echelons of the bureaucracy and in the management of the major state agencies and industrial enterprises. Mr Ozal may have his critics among low wage-earners and in the press, but among the more far-sighted administrators the need to move with the times is recognised — and would probably continue to be no matter who was at the helm.

But the political landscape, frozen for the past half-decade, is beginning to thaw. Some prohibitions — particularly those preventing the two pre-coup prime ministers, Mr Suleyman Demirel and Mr Bulent Ecevit, from making their views known to the public — are being relaxed. The artificial political parties set up in 1983, which enjoyed a monopoly of the right to enter the general elections that year, are disintegrating and new groupings are emerging.

In command

The Prime Minister has remained firmly in command of his own Motherland Party and the national political scene. It is one of the major surprises of the past 10 years that relatively unknown man with a business and civil service background could be capable of making a brand-new party from highly unpromising ingredients and then bolding it together.

Few Turkish party leaders bave achieved as much. For the momeot the Motherland Party looks rock solid. Mr Ozal's aides are self-confident, boasting in private that the party will bold power until the year 2000.

If it cannot, Turkey may be in for another period of confusing coalitions. The social democratic left is gradually consolidating itself. The Populist Party (which is represented in parliament) and the much larger Social Democracy Party (which is not) one month ago signed a protocol for uniting under a single banner.

The PP's leader, Mr Aydin Gurkan, appeared to have just the kind of flair that Turks had been looking for in a centre-left leader, having himself captured control of the PP in the spring.

But the PP's only asset — its parliameotary membership — is split three ways. There are those who are for the merger with the Social Democrats, those who are for the leadership whicb Mr Gurkan displaced, and those who look to oeither but to Mr Bulent Ecevit, the pre-coup left wing leader who is banned from politics until 1992.

Mr Ecevit plans to get round the ban by organising a new Democratic Left Party under the leadership of his wife. He bas only a fraction of his former following among Turks — though be appears still to have the ears of European Social Democrats — but his intervention may well finish off any changes the Turkish Social Democrats left bas of gaining power in 1988. There is talk, too, of a possible merger on the right between the small Nationalist Democracy Party (which bas seats in parliament) and the True Path Party (which has not). The TPP is led by Mr Husamettin Cindoruk, but is the party favoured by Mr Suleyman Demirel, the premier uoseated in the 1980 Revolution yet still a dominating national political figure.

Mr Demirel's followers sre the only people in Turkey raising their voices in public against the system created by the military in the way that might be expected from the Social Democrats or the intelligentsia. They appeal particularly to rural voters, claiming that agricultural incomes have fallen drastically under Mr Ozal.

Neither of these opposition groupings pays even lip service to the economic changes of the past few years. Their constituents are voters who believe that their purchasing power and lifestyles have suffered badly.

So far this has not deterred the Prime Minister, who preaches regularly to the natioo on the philosophy underlying his policies. He tempers this with judicious moves such as the October wage settlement for civil servaots which is more generous than expected. As electioos approach he will no doubt make similar gestures to other groups, including organised labour.

But his aim appears to be to get wage-earners to understand what he is attempting and why. His message is: "Ooce upon a time the citizen was ricb and the state had no mooey, now the state will be rich aod the citizen will have a little less." The implication is that the price to be paid for long-term national progress may sound both simplistic and politically unappetising.

But quite a lot of Turks in the street appear to be accepting it and the country's progress may well depend on whether or not they prove to be a majority.

TURKEY Banking: Investment: Trade 2

Battle to lower the deficit

The Budget

DAVID BARCHARD

EVER SINCE it became clear in the spring of last year that one major priority of the Ozal government was not being met, the search has been on for likely culprits for Turkey's continuing high inflation.

One of these, the budget deficit, has pushed the other main contenders into the background. This year the Government's success will be judged not by the rate of inflation—which everyone knows will be at least 10 percentage points above the target of 25 per cent—but by whether or not the budget deficit has been brought under control.

Last year the budget ran a deficit of roughly $2.4bn, and the equivalent of 4.9 per cent of GDP. The Treasury's cash deficit was much worse. Though these figures are not startling by the standards of many intermediate developing countries, they have caused Turkey severe problems.

This year the Treasury has been struggling manfully to bring down the deficit, and hopes to pull inflation down for good at the same time, thus restoring the country's recently-won reputation for monetary and economic discipline.

By the first half of this year, the Treasury had a cash deficit of TL 500bn (considerably below last year's deficit in dollar terms because of the depreciation of the TL) and a budget deficit of TL 220bn. But the Government believes that the year-end figures will be much more encouraging with a total cash deficit of around TL 500bn ($806m) and that the budget deficit, using the IMF's definition rather than traditional Turkish Treasury ones, will have been cut to half last year's level and ebout 2 per cent of GDP.

The Treasury believes that the second half of the year will show a much stronger performance than tha first half. For a start, it paid out about TL 700bn or two-thirds of its external debt repayments during that period while it had received less than half its expected revenue for the year.

It expects tax revenues to be well above the TL 3,584bn original estimate. A value added tax introduced on January 1 has performed quite well despite uncertainties during the first few months. It is expected to be above the TL 860bn which would have heen collected by the taxes it is replacing.

The tax also has the advantage to the Government of providing it with a steady stream of income rather than periodic lump sums. Next year, officials believe, the additional benefit to the Treasury of the VAT will become even more visible as its administration settles down.

Concentration on the revenue sida is inevitable because there is little scope for economies on the expenditure side. The bndget is derided by the opposition parties as a "transfer budget" with most of its funds devoted to paying foreign debt and somewhat meagre salaries of the home civil service.

One heavy burden in the pre-1980 period, transfers to the SEEs, was cut by 30 per cent to TL 175bn last year and is being steadily reduced. The government is planning no major new public investments for next year and has deferred some existing ones such as a double-track railway between Arifiye and Sincan which was originally intended to cut travelling time between Ankara and Istanbul in the early 1990s to four hours instead of the present eight.

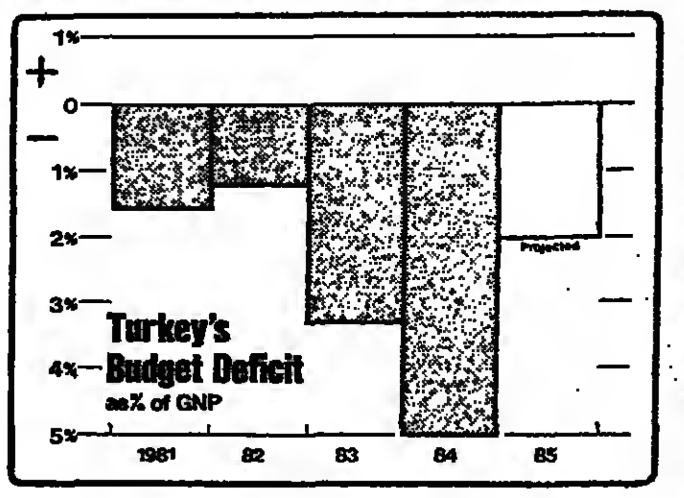
"It should have been deferred long ago," says Dr Yusuf Bozkurt Ozal. "At the present rate of spending it would take forever to finish it.

"We have to find proper financing for such things. Our philosophy is to let continuing projects go ahead but not introduce new ones and to do things more rationally. A better use of resources will mean a higher return on investment.

Investment load

Other officials are adamant that some big infrastructural projects must go ahead. "You have to look at the investment load in energy and infrastructure," says one. "Turkey cannot efford a balanced budget. But we are emphasising thosa investments which can raise funds during the term of this government by 1988, or modernisation work."

In paying off its debts the country is in any event financing—at a remove—major infrastructural projects approved in the 1970s. "The problem with the budget," says a Treasury official, "is thet the percentage represented by external debt repayment is getting steadily higher. Last year the amount was $1.2bn. This year it will be $1.6bn with a peak in 1987 of $1.9bn. This puts quite a lot of pressure on the budget."



To finance these foreign payments the Government is in effect converting external debt into local debt. Local borrowing this year is due to reach TL 500bn compared to TL 190bn in 1984. "Local borrowing is exploding," comments the official.

The Treasury has been forced as a result to experiment with new financial instruments. During 1984 it issued several sets of bonds with six months' maturity, partly to help reduce excess monetery liquidity in the first half of the year. This year it has moved to a system in which bonds are auctioned to the major banks. This has had only a slight effect on interest rates, about 1 per cent.

The Treasury would like to shift to longer-term instruments with maturities of a year or more but "the market will have to get used to such instruments," says the Treasury. One-year money remains risky in Turkey with its high inflation rate for both depositor and borrowers.

Meanwhile, outsiders remain sceptical ebout whether the budget will in fact come down to the expected levels, at least without introducing new taxes. The share of direct taxes in GDP is currently around 12 or 13 per cent, well below what it was five years ago. Again officials explain this in terms of the introduction of municipal taxes and special funds outside the budget, reduced rates of income tax, and a revaluation of assets for corporation tax.

One important source of funds would be the unpaid instalments of corporation tax owed by many firms, estimated by one Turkish newspaper to be over TL 600bn. The problem is that many such firms are limping along precisely because the banks and the Treasury have not foreclosed on their debts.

"Getting the money from bankrupt firms simply isn't possible," says an official. But during the autumn there have been signs that the Government is getting tougher on firms which don't pay their taxes.

"The international agencies and the public may not believe us," says another SPO official, "but we really are making progress. The year-end deficit will be well down."

Good news on the debt front

Balance of payments

DAVID LASCELLES

WHEN Mr James Baker, the U.S. Treasury Secretary, put forward his plan to ease the Third World debt problem at the recent IMF meeting in Seoul, be listed Turkey among the countries which deserved backing for trying to get their financial houses in order.

Certainly the country bas made progress. The days when it topped the list of problem countries seem long gone. Its bealthier trade and payments situation has enabled it to return to the commercial loan market and has emboldened Mr Turgut Ozal, the Prime Minister, to say that be no longer needs an IMF standby agreement.

The foreign exchange reserves, including gold valued amount to $3.6hn, enough to cover more than three months' imports.

"Turkey is wonderful because everyona needs a success story," e US banker said racently in Istanbul, commenting on the gloom that recently seems to have settled over the international debt question.

But while tha country is earning plaudits, it still bas over $20bn of foreign debts. Not until 1988 will its repayments "hump" start to level out and any weakening of its resolve before then could set the alarm bells ringing again.

For the time being, though, the good news continues. This year's performance in foreign trade and on the current account will almost certainly prove to be better than even the somewhat optimistic forecasts put out by the Ankara Government at the beginning of the year.

In the first eight months the combination of improved exports and disincentives to imports produced a deficit on visible trade of $1.4bn, which suggests that the full-year deficit will be below the $3bn forecast and less than last year's $2.9bn.

Although remittances from Turks working abroad are falling off, tha strength of invisibles like tourism (which has begun to boom) have boosted the current account. This is now expected to end up about $700m in the red, about half last year's level.

For the first eight months of the year the current eccounl deficit was only $300m, hut that includes the hest tourism months.

While the Goveroment can rightly feel pleased with this achievement, there are points of eoocern at the central hank. One is that monetary growth has surged in the past few months and could mar the picture hy boosting demand for imports or fuelling inflation. The monetary authorities blame this on the crudeness of their monetary controls, which ere to be improved.

Another point of coutern was the sudden surge in short-term external borrowing by Turkish companies, which realised it was cheaper to take dollars and convert them into lira—even with the foreign exchange loss—than to borrow lira outright. Over $1bn was added to the short-term account this wey.

On September 12 the Government slapped a 3 per cent tax on this borrowing, though companies that can prove their dollars were used to finance exports can recleim it. Because the tax is levied regardless of e loan's maturity, it should also encourage longer-term borrowing.

If 1985 marks another step forwerd in Turkey's return to health, the Government is now forming its projections for 1986 and preparing the way for whatever new borrowings may be necessary. In October Mr Ozal and senior central bank officials met top U.S. bankers in New York to explain their plans and claim to heve hed a sympathetic hearing.

Broedly, their message was that Turkey is looking for further improvaments in its external eccounts, provided there is no sharp downturn in the world economy or increase in protectionist sentiment.

Project loans

The country's total borrowing requirement for next year is expected to be about $2.8hn, of which Turkey hopes to raise about $1.2bn in the form of project loans or from lines already committed. Diract foreign investmnet could provide a further $200m, and nel capital inflows another $600m. Official institutions, mainly the World Bank, will provide $400m, leaving about $400m to be raised from commercial banks.

This suggests that Turkey will be reducing its dependence on bank borrowing. It took $800m from the Euromarkets this year, inclnding a $500m facility last spring which caused controversy because some banks thought it was unsnitable. Not surprisingly, central bank officials are keen to dispel any idea that Turkey's borrowing is excessive. Its bank debt, they point out, is only 25 per cent of total debts. Bolh this year and next, Turkey is due to repay $700m in bank debt.

"The share of project financing is increasing. We are trying lo keep halance of payments financing as low as possible," says a senior official.

Ankara will soon make its new fiscal and monetary projections. Although it no longer depends on the IMF for help, it will be consulting the Fund in order to obtain the implicit approval which makes foreign bankers feel comfortable.

The tighter bank auditing and reporting standards to be introduced next year should alsp improve statistical infprmation for the central bank and enable it to keep a closer check on the banks' foreign currency commitments.

Foreign bankers speak in broadly approving terms of Turkey's efforts, citing the steady devaluation of the lira, the maintenance of real rates of interest and the preservation of a positive investment climate as the higgest contributors tp its external accounts.

Internally, the Government's attack on the budget deficit is also sbowing signs of success and as a proportion of GNP it is expected lo fall from 5 per cent last year to below 3 per cent this year. But as external financing shrinks, a greater proportion of the deficit must be funded on the local market.

Bankers are also keeping a sharp eye open for the political strains that Mr Ozal's policies are certain to create, for they could upset his re-election chances. "It's a bit of a gamble," said one banker.

Some obeervers also feel that Turkey shonld do more to atimulate foreign investmenl, which must eventually replace borrowing as the main source nf foreign capital. Although there has been a small upturn the contribution is negligible, probably because Turkey still has some way to go before it can achieve the stable, dynamic image favoured by foreign investors.

Traumatic time for the old guard

Banking overview

DAVID LASCELLES

THE BANKS have borne the brunt of the shocks administered to the country by the economic policies of the Ozal Government. Over the past few years, they have had to grapple with soaring interest rates, corporate failures on a massive scale, and a rising tide of bad loans.

As if this was not enough, the Government also removed some of the barriers protecting the banking system, and welcomed in aggressive foreign banks.

For banking's old guard, it has been a traumatic time, and some banks probably survived only by avoiding a proper accounting of their bad loans. This was possible since Turkish banks will not have to comply with standard accounting practices until next year. But many people in Istanbul and Ankara believe a big shock has done nothing but good to a banking industry that was only haphazardly regulated and had become dangerously complacent.

Not that there is a lack of rivalry among Turkey's banks—feelings run so high that some even think twice about dealing with a domestic bank in the interbank market.

Until recently this had not translated itself into competition in the accepted sense. Even now, it is no coincidence that bank profits are soaring at a time when loan rates are 70 per cent or more, though this is partly because the Government still fixes deposit rates at high levels to prevent a cut-throat funding war.

Although Turkey has some 35 banks (not counting the fast-growing foreign contingent), the industry's character is heavily influenced by the fact that 14 of them are government-owned, including the largest, Ziraat Bankasi, the agricultural bank. Of the so-called commercial banks, the largest, Is Bankasi, is also part state-owned, and has extensive holdings in the commercial sector, including the entire Turkish glass industry.

Most of the remainder belong to the big family dominated commercial groups, like Koc and Sabanci that tower over the Turkish business scene.

This means that there are scarcely any truly independent banks, though the privately owned banks claim—indeed are obliged by bank regulation—to operate autonomously. They all, however, have close banking relationships with companies within their groups, and all commercial banks get leaned on by the Government to lend to projects or industries that serve political ends.

A major aim of government policy is to instil greater discipline into the banking industry to make it stronger and improve services. It issued a Banking Decree in 1983 which now forms the basis for tougher regulation, though its full impact will not be felt until next year.

At the height of the economic crisis, banks were admitting to bad loans equivalent to ten per cent of total loans—the true figure was probably much higher. But the underlying position is now improving.

New regulations

"Our impression is that the volume of non-performing loans is falling" said an official at the central bank, which will shortly be issuing new regulations on how provision for bad loans should be made. "We observe that banks are becoming more prudent. They have new analytical units and they follow their clients more closely."

Turkish banks are understandably sensitive to questions about their loan portfolio. Even Akbank, the largest private sector bank and consistent best performer among the big banks, is keen to stress its capital strength. Mr Erol Sabanci, the managing director and one of the five Sabanci brothers who run the Sabanci group, claims his 23 per cent had loan experience is the lowest of any bank.

He also points to the "hidden value" in the bank's properties which are carried well below true worth on the balance sheet.

He is specially proud of a rather unusual letter he received from government bank inspectors last July "congratulating" Akbank on its performance.

Yapi-Kredi Bank, the banking flagship of the Cukurova group, which got into much deeper trouble, hopes to have bad loans down to 3 to 4 per cent by the year end, according to Mr Husnu Ozyegin, the managing director. All this means that when banks do have to make a full public accounting of themselves for the first time next year, there should be few nasty surprises.

The question now facing bankers, is how to generate new quality business, and raise service standards.

One reason for the backwardness of Turkish banking was the traditional rivalry which prevented banks from working together to create the infrastructure of a modern banking system. It delayed the start of an interbank market, though that is now in embryo thanks largely to the foreign banks' need for a funding source.

They also lacked clearing facilities; the central bank has organised an Ankara-based clearing system for cheques, but wire transfers are still not possible except within a bank that has booked up its branches. There was also surprisingly little co-operation between banks when it came to sorting out the loan problems of mutual corporate clients.

Like their West European and U.S. counterparts, the large banks talk of the need to sharpen their retail services, and target their corporate customers more closely. "We used to wait for them to walk in through the door. Now we try and anticipate their needs," said Mr Ozyegin at Yapi. Banks are also trying to improve their international capabilities, mainly by forming alliances with foreign banks.

Another trend is the emergence of small, specialised banks to meet the growing demand for sophisticated services and new products.

But the fact remains that good lending business is very hard to come by in Turkey right now, and many people remain sceptical of any broad improvement in banking services. Bankers besiege the select band of creditworthy Turkish companies and multinationals, but are reluctant to lend to those lower down the scale. While this may be prudent, it has earned them a lot of criticism.

The high interest rates charged by banks have also been blamed for business problems. Mr Sabanci at Akbank is sympathetic. "I hope interest rates can come down. I believe it is necessary for the Turkish economy," he said, though he doubts that lending costs can fall until there is a parallel drop in inflation, a view that is widely shared.

Funding costs are also bumped up by reserve requirements and taxes, neither of which can quickly be removed without jeopardising monetary targets and government revenues.

Largest Turkish Banks

ASSETS IN TLbn AT END 1984

Ziraat Bankasi	2,399
Is Bankasi	1,710
Akbank	811
Yapi Kredi Bankasi	622
Halk Bankasi	482
Vakiflar Bankasi	357
Pamukbank	237
Turk Ticaret Bankasi	210
Garanti Bankasi	190
Osmanli Bankasi	158

Source: Nokta

More like a mutual fund

Islamic banks

DAVID LASCELLES

THE country's first Islamic banks, officially designated "special finance houses," opened their doors last March. Their existence was made possible by a decree isued a few days after Mr Ozal's government took office, though some of the legislative preparation was done nearly a decade earlier.

So far Turkey has two Islamic banks—the Al Baraka Turkish finance house and the Faysal finance house, both set up largely with Saudi Arabian funds. The principal figure at Faysal in Mr Salih Ozcan, once a politician in the pre-coup National Salvation Party.

Al Baraka has warm relations but no organic links — with another former NSP politician, Mr Korkut Ozal, the brother of the present Prime Minister and himself twice a cabinet minister in the 1970s.

Islamic banks work in Turkey, as they do elsewhere, in a manner which is not unlike the working of a mutual fund in the West, the main principle being to avoid payment of interest — a charge for money which increases in time.

The funds collect money from savers who can chose between putting their cash into special current accounts or into a "participation account," which makes a profit or loss depending on how well it is managed. Al Baraka Turk collects funds for varying periods of three months, six months, one year, or longer.

With the resultant pool of funds it has four possible ways to make money, each of which has an Arabic technical name. In practise, however, current economic conditions in Turkey make in practicable to use only two of these: the "murabaha" or "production support," which means buying a commodity on a cash basis and selling it on a term basis; and the "musharaka," a joint venture in some business activity, usually an export transaction.

The finance house buys commodities from a potential exporter who needs cash. Then, when the deal is completed, it pays him back a prearranged share and a share of the profit as well as allowing him a fee for his services as manager of the venture. To calculate the profit made by investors in the fund two accounting units, known as the unit value and the account value, are employed.

"I didn't know anything about Islamic banking when I was asked to join Al Baraka" says one of its deputy general managers. "But they told me that if I knew something about classic banking operations I would pick it up in quite a short time, and so it proved."

Al Baraka prides itself on being open. Its deposit and lending accounts can be inspected by anyone interested, though deposits are identified by numbers and not by names.

"So we told the reporters who doubted us to come and check the calculations themselves."

The Islamic banks are still feeling their way around on the Turkish banking scene. So far they have relied on other banks (the Turkiye Is Bankasi for the Faysal Finance House and the Vakiflar Bankasi for Al Baraka) to carry out their branch operations, though Al Baraka is now thinking of opening its own branches. Both have made some use of television advertising to introduce themselves to the Turkish public.

The finance houses are not subject to the lending limits imposed on Turkish banks since 1983, but their main difference seems to be that they can get involved in commodity transactions. Since March, Al Baraka has collected a total of TL 9br (including foreign currency deposits) or $18m — a figure well above the expectations of the rest of the banking world.

"At first we thought it would be religiously-motivated savers who would place their deposits with us, but we find increasingly that we are getting savings from economically-motivated savers," says the Al Baraka official. "In fact some of the big corporations place any excess funds they may have with us."

Al Baraka keeps a TL portfolio of about TL 5bn while a further TL 4.4bn is handled in foreign currency. Total deposits at the Faysal finance house are put at TL 6bn.

"We are not a family business," Al Barak officials claim. "We are 100 per cent professional and have a combination of experience which is unusual in Turkey."

Government seeks to stimulate activity

Money Markets

DAVID LASCELLES

FINANCIAL MARKETS in Turkey are a bit like the glass that is half full or half empty. Their relative backwardness may be a symptom of Turkey's lack of financial sophistication, but the fact that they exist at all is held to be an encouraging sign.

What is certain is that, distorted by years of controls (which have still not been entirely lifted) and ravaged by inflation, they have acquired a character of their own which foreigners must learn to understand.

The development of active and healthy financial markets is a major goal of the Ozal Government which wants to mobilise new sources of capital for itself and Turkey's hard-pressed business sector. The challenge, though, is how to make investment attractive at a time when inflation is still running at 40 per cent (but hopefully slackening off) and without upsetting key monetary targets.

The policy focuses on three areas: the equity market, the capital market and the money market.

Of the three, the equity market is the easiest to describe. The Istanbul stock exchange is dormant, and though a new building is planned to house it, trading itself is not expected to reawaken until interest rates come down to levels at which equity yields become competitive again.

This is a matter of some concern since many Turkish companies are desperate for new capital, and are not sufficiently creditworthy to tap the bond market or obtain medium-term bank finance, though there was a temporary boom in share issues last year as companies were allowed to make one-off revaluation of their fixed assets.

It also presents a major obstacle to the Government's hopes of selling off public sector companies, like Turkish Airlines (THY).

So far, the Government has only sold "participation bonds" in prestige national projects like the Bosporus Bridge. Although these gave investors a sense of doing their patriotic duty, the yields have fallen below bank deposit rates, and made them a poor investment.

The bond market is active and provides a sources of capital for both private sector borrowers and the government, and is watched over by the Capital Markets Board which vets the quality of corporate issuers. But new issue volume has fallen as inflation has risen. The law governing the capital markets—which was passed in the wake of the crisis caused by the collapse of two large money brokers in 1981—also sets a minimum of two years maturity for bond issues which many consider to be too long in inflationary times.

As a result, virtually all bond issues are for two years, and those made recently carry huge coupons of 50 per cent or more.

The Government is the largest single borrower and enjoys a strong advantage insofar as its interest payments are tax free which has led to accusations of "crowding out."

The government securities market has recently acquired a new importance. The secondary market that has evolved round it has given the more aggressive banks an opportunity to trade securities and explore innovation techniques.

In a controversial move, some banks have begun to use the market as a funding source analogous to the repurchase market in the U.S.: they sell securities to cash-rich companies with an understanding to buy them back at a later date.

There have been complaints that this practice is a way round both the fixed deposit rates set by the Government, and the reserves that banks are required to place with the central bank (currently 19 per cent of deposits). So far the central bank has not outlawed the practice, though one banker describes it as "a hot potato."

Certainly it would not have arisen but for the deficiencies of the interbank market and the battery of regulations and taxes that have driven up the cost of more conventional funding sources.

One banker who believes the Government should do more to lift regulation of the capital markets is Mr Erol Aksoy, chairman of Iktisat Bankasi, one of the more aggressively managed merchant banks. He describes Turkey's money markets as a football stadium packed with spectators, with teams and referee ready on the pitch. Only one thing is missing, he says: the ball—the right trading instrument.

Rather than open up the market for shorter dated securities by lifting the two year rule, the central bank is considering launching a U.S.-style commercial paper market through which companies could lend spare cash to each other directly, initially to fund exports. If it worked, it could become a highly efficient channel for short term money.

Public bond issues

	TLbn
1980	18.0
1981	16.0
1982	13.2
1983	17.2
1984	10.8

Source: Capital Markets Board.

The challenge is to find new markets

Foreign banks

DAVID LASCELLES

AT THE END of the 1970s foreign banks were leaving Turkey, dismayed by the mounting political and financial crisis. Today, they are trying to get back again. In the last few months at least five major international banks have arranged to set up in Istanbul, attracted by the healthy — some might say embarrassing — profits reaped by the banks that stuck it out.

By the end of this year, the number of foreign banks will have topped the 20 mark — not a huge contingent by some standards, but enough to make an impact on a market that has been slow to innovate.

Predictably enough, the most prominent of the big multinationals is Citibank which opened its first branch in 1981 and now has four in the major business centres. Other big U.S. names include American Express International Banking Corporation, Chase Manhattan, Manufacturers Hanover Trust and Bank of Boston.

The Italians, the French and the Dutch are also represented, and the British will arrive shortly in the form of Standard Chartered (though Midland Bank has an advisory office in Ankara).

Turkey's appeal for foreign benks was captured in a recent study by the First Technical University's Management Faculty which was published by the magazine Nokta. This placed both Citibank and American Express at or near the top of several league tables of Turkish banks based on measures like liquidity, profits, quality of assets and capital strength.

In a summary table of "success points," American Express came out top, with Citibank at No 2. Arap-Turk Bankasi, which represents Arab banking interests, came eighth and Tutunbank with which Irving Trust of the U.S. is forming a joint venture, came tenth.

But the foreign banks' business and source of profits so far have been relatively narrow: mainly short-term trade finance which could hardly be described as the sharp end of innovation.

"It is a niche strategy that worked," said Mr John Bernson who runs the Citibank operation and adds that the trade finance market was until recently growing about 25 per cent a year. The foreign banks, he says can also use their more efficient cost structures and international branch networks to good advantage over the Turkish banks.

The targets

Dr Vural Akisik, managing director of Interbank, the specialist foreign trade bank, estimates that foreign banks now have 4.5 per cent of the trade finance markets.

Although most of the new arrivals have also set their eyes on this particular niche, the easy profits may already be over, and the real challenge facing foreign banks now is to find new markets and work out the best way to tackle them. Mr Parker Griffin, vice president at Manufacturers Hanover, says that although "the Turkish pie was bigger than we expected," foreign banks "are now evaluating the second stage in their strategies."

The obvious targets are commercial lending and retail banking, but both place foreign banks at a disadvantage vis-a-vis Turkish banks because of their inferior market knowledge and contacts, and shortage of deposits.

Foreign banks are forced to rely on the inter-bank market for most of their funds. Although the foreign banks themselves have helped this market evolve as an outlet for the big Turkish banks' surplus cash, it is still a little unpredictable. "You cannot really rely on the interbank market for your growth," said Dr Metin Berk, assistant general manager of tha American Express bank.

Foreign banks are also et a disadvantage as placers in this market because interest on their deposits is subject to a 25 per cent withholding tax—a major grievance (though there are hopes it may be removed).

Market intelligence is a problem because of the tight-knit nature of Turkish business based on family holdings, and the elmost total absence of properly audited accounts.

"We have known Turkish companies for 10, 20 or even 30 years," said one Turkish banker who predicts that alien banks who venture into the market alone will coma to grief. Foreign bankers try to play down this danger, pointing out that their operations are largely staffed, if not actually managed, by Turks.

But increasingly they are deciding against going solo, and forming alliances with local banks, like Irving with Tutunbank. This summer, American Express formed a joint venture with Koc, one of the large family conglomerates, which will be called Koc-American and will draw on Koc's huge representation around the country, and will eventually start a retail network to gather deposits.

BNP of France is forming a $20m joint venture with Akbank, Turkey's largest private-sector bank, which will combine BNP's international reach with Akbank's strong market position in Turkey. A triple alliance haa been formed by Chemical Bank, Mitsui Bank and Enka Holdings, another industrial group. There are also strong rumours that Citibank is about to announce a major link-up: Mr Bernson declined to comment on them.

By plugging foreign banks into new sources of deposits and loan business, these alliances should enable foreign banks to grow faster and raise their lending limits. But given the perilous state of the business loan market at the moment, they may have to wait until Turkish companies are in better shape.

Joint banking ventures in which Turkish companies have a majority are also attractive because they get round the high capital requirements for foreign bank branches.

There are plenty of other areas where foreign banks are active, notably prodding the development of Turkey's capital markets and financing its foreign debts (both discussed in separate articles). Some banks hava gone for highly specialised work, like Chase Manhattan which is handling the project finance for the second Bosphorus Bridge, and Morgan Guaranty which is adviser to the Government on its policy of selling off publicly owned enterprises.

LARGEST FOREIGN BANKS ASSETS IN TLm AT END 1984	
Osmanli Bankasi	157,753
Arap-Turk Bankasi	132,754
Citibank	40,429
American Express	28,666
Banko di Roma	10,272
Bank Mellat	[illegible]
BCCI	7,174
Habib Bank	7,023
Holantse Bank	5,123
Turk Bankasi	5,988

Source: Banks Association of Turkey

So far as the local market is concerned, the arrival of the foreign banks has had a mixed welcome. Their aggressive assault on the Turkish banks' traditional business has not endeared them to the more entrenched members of that community.

On the other hand, the central bank seems quite pleased at the way foreign bankers are forcing change on the Turkish banking scene, because they are adding to the sophistication of the money and capital markets and setting the kind of auditing standards the authorities want Turkish banks to adopt.

The more aggressive Turkish bankers also welcome foreign banks because they speed up the acceptability of new products.

"Nobody understood what we were trying to do until the foreign banks arrived," said Mr Erol Aksoy, the chairman of Iktisat Bankasi, who has been pushing the concept of merchant banking in Turkey.

Servicing corporate finance

Merchant banks

DAVID LASCELLES

A SIGN of Turkish banking's widening skills is the emergence of institutions calling themselves merchant banks. Though small and limited in scope by international standards, they aim to supply the growing corporate finance needs of large Turkish corporate customers in a more personalised way than the big banks.

Two of them, Turk Ekonomi Bankasi and Iktisat Bankasi, cultivate this market, though in quite different ways.

TEB, based paradoxically in Istanbul's flashiest skyscraper, takes a low-key and highly professional approach to its select clientele. It deals with only 200 customers. Most of its business is short-term trade financing, though it also offers other services like foreign exchange and financial advice.

Dr Akin Akbaygil, the tall, quietly-spoken general manager, stresses that TEB, being part of a larger group, is under no pressure to produce short-term profits, so it can focus on clients' long-term needs. (Since 1981 it has belonged to the Colakoglu family, owners of one of Turkey's largest private sector steel mills.)

Mr Akbaygil has reinforced TEB'S reputation for professionalism by turning in a consistently good profit performance. It also emerged as the top Turkish bank in Nokta magazine's recent ranking of Turkish banks based on such measures as profits, bad debts and liquidity (it actually came third, yielding the top two places to American Express and Citibank).

Iktisat Bankasi, by contrast, proclaims itself from Istanbul's rooftops, and has already made a deep mark on the local banking scene although it is barely one year old in its new form.

This was to be expected since Iktisat was taken over by the enfant terrible of Turkish banking, the 38-year-old Erol Aksoy who gives his recreational pursuits as jogging and skiing, and maintains that bankers must go in for marketing.

Mr Aksoy learnt his trade at Harvard and in the corporate finance department of Smith Barney, the New York broking firm, before launching into a lightning career in Turkish banking in 1976. He saw his chance when Iktisat came up for sale last year at what must have been a knockdown price because of its loan problems (Mr Aksoy will not say how much he paid for it).

A pioneer

TEB's claims notwithstanding, Mr Aksoy sees himself as the pioneer of merchant banking in Turkey. Apart from trade finance, which is Iktisat's bread and butter, he says his bank is active in the money markets, foreign exchange, bond underwriting, medium-term lending and project financing.

All this is overlaid by Mr Aksoy's unashamed marketing techniques. (He believes bankers have much to learn from supermarkets when it comes to displaying their wares).

But he is also concerned to establish Iktisat with a solid reputation. He recently got Athur Andersen to produce a set of audited accounts for its first six months (audited accounts are a rarity in Turkey). Apart from showing e sharp rise in profits, these stressed that Iktisat's biggest loan problem, its Ergür Kablo cable-making subsidiary has been "stabilised."

All this has earned Mr Aksoy the grudging respect of other bankers who expect Iktisat to provide some of the yeast that will get Turkey's still backward capital markets moving.

Although both TEB and Iktisat are bringing fresh ideas to Turkish banking, the striking point is that both of them basically earn their living from that most traditional of banking products: trade finance.

Their small size and flexibility, as well as their somewhat more sophisticated undesrtanding of what modern banking is about, should stand them in good stead for the changes that are already on the way.

Erol Aksoy, chairman of Iktisat Bankasi: unashamed marketing techniques

Three profiles illustrating the big changes taking place over a wide area of the banking sector

In the fast lane at Yapi-Kredi

Husnu Ozyegin

DAVID LASCELLES

HUSNU OZYEGIN belongs to the new breed of Turkish banker. Young (he is 41), U.S.-educated with a Harvard MBA, he can even include spells working for IBM and Arthur D. Little in his CV.

But Mr Ozyegin (pronouneed Ers-yain) is also a man with a tough job on his hands: to restore the fortunes of Yapi-Kredi Bank, one of Turkey's largest private sector banks which got into deep trouble during the economic crisis in the early 1980s.

Appointed managing director 18 months ago, he claims to be making some progress. "We are gaining market share egain," be said in his Istanbul office where a prized memento is a framed letter from Robert Kennedy whom he knew in the States.

The problems at Yapi (which means construction) were in many ways typical of the failings of the Turkish banking industry which those harsh times exposed: poor management, a close, almost incestuous, relationship with Turkish industry, and an inability to deal decisively with bad loans.

Yapi's trials were not only large but in a sense tragic because it had long been revered as Turkey's oldest established and largest non-state bank. Once owned by a number of industrial companies, it was acquired in 1980 by Cukurova, one of Turkey's leading family-owned commercial groups which also owns two other banks, Pamukbank and Interbank, a specialist foreign trade finance bank.

Cukurova immediately found itself with troubla on its hands. Yapi's bad loans multiplied, and a succession of management changes failed to stop the rot. So Mr Ozyegin was called in from Pamukbank where be bad been general manager since 1977.

He found a sorry picture of demoralised staff and burgeoning costs in addition to the more obvious woes of loan losses and falling market share.

One of the first steps was to replace nine of the bank'a 12 assistant general managers, in the process reducing their average age from 59 to 40. He then raided Turkey's central bank, Citibank and the Istanbul office of Pirelli for new talent to create a tight-knit and fast-acting group of top executives.

"We had to speed up the chain of command," he recalls. As it turned out, the job of cleaning np the loan book was more straightforward than be bad expected. The bad loans were concentrated on just eight—albeit large—companies.

The first task was to obtain new collateral, and then work out how to reduce the debts. In some cases, Yapl took subsidiaries off its borrowers in payment.

Then the bank ltself was straightened out with an injection of fresh capital from Cukurova. Yapi also took advantage of new regulations which allowed banks to revalue their fixed assets and take the profit into their capital tax free. The combination of fewer bad debts and a bigger balance sheet means Mr Ozyegin expects to reduce bad loans from 10 per cent of total loans to between 3 and 4 per cent by the end of this year.

His goals now are to build up Yapi's capital and try to win back the leading position it lost. He expects Yapi to be Turkey's leading trade finance bank, and he has created a new high powered corporate lending department under Mr Osman Erk, formerly of Citibank But

Husnu Ozyegin, managing director of Yapi-Kredi: a man with a tough job on his hands

he also wants Yapi to play an innovative role oy exploiting new technology (Yapi bas taken the lead in putting branches "on line"), by introducing new financial instruments to Turkey, and developing tha capital markets.

"We have been doing things in a very traditional way in Turkey. We need to be mnch more sophisticated."

Drive for efficiency at Turkey's oldest bank

ZIRAAT BANKASI is by far Turkey's oldest and largest bank, so large indeed that its very existence sometimes get overlooked as attention is focused on the commercial banking market where transactions are much smaller than those undertaken by Ziraat.

Founded in 1863 to finance agriculture on behalf of the government, Ziraat Bankasi remains directly attached to the prime minister'e office and serves both the Treasury and the central bank. While 80 per cent of its transactions are for financing agriculture, the bank also acts on behalf of the central bank in many parts of Turkey, paying civil servant's aalaries and even collecting tax payments on behalf of the Treasury.

Its usefulness as policy instrument to the government of the day was higblighted in 1983 when — under a different general manager and a different minister of finance—Ziraat Bankasi's deposits were used to doctor the money supply figures each weekend so as to allay IMF suspicions.

Recently the bank has also been used to bail out most of the balf dozen banks which became insolvent after 1983. The biggest operation was the ebsorption of Hisarbank and the remnants of the Kozanoglu Cavusogin industrial empire which had gone with it.

Some other banks claim that the takeover of Hisarbank placed too great a strain on Ziraat Bankasi' resources. Officials will only say that it was a beavy burden in terms of the paperwork involved, not least in changing the names of several bundred branches over a single weekend.

The operation left Ziraat Bankasi for the first time with something like the role of an industrial bank. This did not please the incoming Ozal government, which wanted to see it cut back to its traditional business. The bank's boldings in industry remain. It owns Turkey's largest fruit juice company, for instance, but most of its shareholdings now are in agro-industries or activities such as agricultural machinery prodnction which are related to its basic operations.

Unlike most of Turkey's other state banks, which bave a composita ownership, Ziraat is owned by the Ministry of Finance and bas no sharebolders. It is now planning to double its capital to TL 100bn, all of it provided by the Treasury. In theory its profits should be used to finance its own capital, bnt this has not bappened since 1982.

The bank's main problem is that, unlike other banks, agricultural credit is still subsidised in Turkey and carries an interest of between 30 and 35 per cent, about half the average commercial rate. This is offset by the slightly lower cost of funds to Ziraat Bankasi from sources such as the Agricul-

Ziraat Bankasi

DAVID BARCHARD

tural Credit Fund of the central bank.

But even with additional interest from this source, Ziraat is seldom able to make more than 40 per cent on its farm credits. This situation, officials say, accounts for the bank's relatively low profitebility. In 1984 its profits were TL 2.6bn.

"That does not aeem to be satisfactory," compared with our total volume of business or total assets," the bank'a annual report for 1984 comments. Assets last year were TL 925.bn.

The problem seems to lie partly with the management. Ziraat is now emerging from a period when it was reletively closed to the outside world. Last year it bad severe trouble in getting its accounts endorsed by the Audit Commission of the Turkish Parliament. "Tha problem was solved when the general manager was replaced," a bank official says drily.

In September 1983 the Ozal Government—in what must rank as one of its more important if less widely known advances — put Mr Mustafa Akkaya in as general manager, thus tightening the grip of the relatively frail new civilian administration on the bank.

Since then the murmurs of criticism of Ziraat in tha Turkish press have subsided and the bank bas concentrated on expanding its commercial operations. It is now opening branches in New York, London, Switzerland, and Luxembourg and considering opening a new branch in West Germany and a representative office in Brussels. It is also planning to move from manual to automatic accounting at its branches in Turkey.

"Working with 1,200 branches on a manual system is slow and painful," a bank official says. He claims that operating expenses are being pruned and efficiency increased wherever possible.

One area where Ziraat Bankasi maintains a strong lead over its competitors concerns foreign currency deposits, which Turkish citizens bave been allowed to open since December 1983. Of about $3.5bn currently beld in Turkey, more than a quarter is kept with Ziraat Bankasi, apparently because of the confidence that ordinary Turks have in it as a state bank.

A higher rate of interest may also be a factor, since the bank has until recently paid rather more than its rivals.

In 1982 it turned to tha international money markets to raise $200m at Libor plus 1.25 per cent for pre-export financing. Maturity was on November 2 this year. The bank is currently negotiating with various banks for a further $100m with a maturity of one year.

Ziraat ranks as a Stata Economic Enterprise (SEE) and its staff are paid on the SEE scales. However, they get an additional 50 per cent plus five-monthly bonuses a year, and the right to use the bank's own sporting, boliday, and medical facilities.

Senior managers also bave the prospect of additional salary as board members of one of Ziraat's subsidiaries. These inducements have proved sufficient to keep most of the staff with it for life, even if —as one of them sighed—"we are paid sligbtly less than we would get in the private sector commercial banks.

Under Mr Ozal's government, Ziraat seems to hava decided to adapt to new market conditions as rapidly as possible and the bureaucratic secretiveness of a few years ago has given way to a new openness.

DYB shows enthusiasm for privatisation

State Investment Bank

DAVID BARCHARD

MOST Turkish banking is concerned essentially with trade rather than industry. Market conditions since 1980 have made lending to industry mnch more hazardous than lt was in the 1960s and 1970s, when interest rates were well below inflation and the banks seem to have made most of their profits through charges on transaetions.

While others talk about setting up merchant banks in Turkey, lt already has four banks which specialise in investment lending. Two, the Sinai Kalkinma Bankasi and the Turkiye Sinai Yatirim Kredi Bankasi (Industrial Development Bank and the Sindustrial Investment Credit Bank of Turkey), belong to the private sector and are based in Istanbul.

Another, Desiyab, was set up in the 1970s to help Turkisb workers abroad to set np their own companies. At present it is assisting 350 companies, only a few of them being significant in business terms. The Devlet Yatirim Bankasi (State Investment Bank), has the job of providing the State Economic Enterprises (SEEs) with investment funds.

"Not really a bank," was the judgment of an Istanbul-based investment banker when asked about the DYB. For most of tha period since it was set np in 1964 the DYB has channelled funds from the Treasury to SEEs. Last year it lent abont TL 60bn, or just under 6 per cent of total SEE investments. Typically, wben a new publie sector investment was planned, the DYB would be called in along with other potential backers to see how funds for the new project could be raised.

Last February, however, the DYB was given a new charter which, in the changing circumstances, means that its method of operation will grow increasingly like that of other banks. It has no plans to become a deposit-taking bank, and its field of interest is confined to the Turkish public aector, bnt it may become an important instrument in the Ozal administration's plans to privatise some of the SEEs.

One problem the bank has to solve first concerns its own "non - performing debts." Because its creditors are all pnblic sector enterprises, it can perhaps afford to be sligbtly more outspoken on this issue than some of its private sector counterparts.

"Much of our money is tied up in unpaid instalments," says a bank official. "We have to issue bonds to SSK (the Social Security Fund) at 35 per cent interest because we are not being paid. The SSK is not happy to be paid like this, but we have no alternative since wa are not being paid ourselves."

On delayed loans, the bank charges 55 per cent. interest, which is still below the cost of most funds on tha commercial money markets. The bank official names some of the good and bad payers in the Turkish public sector, singling out the state Post Office (PTT) for praise. A big company in tha energy sector which is regarded as risky by most Turkish privata entarprise firms is now "starting to pay immediately," he says.

Meanwhile, the bank is studying ways to help SEEs to raise funds by issuing bonds saleable to the Turkish pnblic. Petlas, the state-owned aircraft tyre corporation, may be the first in line, having commissioned a detailed study earlier this year.

The DYB is in fact represented on tha steering committee which handles the privatisation programme. Other members are the state planning organisation, the Mass Housing and Publie Participations Fund, the Treasury, the central bank, the Ministry of Finance, and the Capital Markets Board.

Enthusiasm for the privatisation programme is to be discerned in what might be expected to be the somewhat bureaucratic and entrenched offices of the state investment bank. The question whether state ownership of industries might not sometimes have merits was lightly brushed aside as "political." In general, the bank seems pleased to be involved in trying to turn over sections of the SEEs to private ownership, apparently because inefficiency and indebtedness are for many the main characteristics of the old-style SEEs.

The DYB faces particular challenges in the area of hard currency financing. This year tha bank has turned to the Japanese bond market and negotiated with Nomura, Nikkon, and the Industrial Development Bank of Japan for funds, mostly for the enlargement of Turkey'a third iron and steel complex at Iskenderun.

On the Turkish market it faces problems because of its role as a long-term lender. It would like to lend bonds with maturities of two years on behalf of corporations such as the post office. But given Turkey'a high and unpredictable rates of inflation in recent years, the Government still regards even a one-year bond as a long-term instrument.

Total lending by the DYB in 1984 was TL 45.8bn, of which nearly 70 per cent went to manufacturing industry, 16 per cent to energy, 11 per cent to telecommunications, and 2.5 per cent to mining.

Its role extends beyond simple lending, bowever. It also organises training programmes for staff at the main state corporations.

"The bank has to stand on i's own legs in accordance with the Prime Minister's views," says its annual report. A DYB executive put it more succinctly: "From now on, in handling SEE borrowings, we will act as if we were a private bank and our collection policy will get more effective."

More realistic appraisal of law

Leasing

DAVID TONGE

ON JUNE 10 a long-heralded leasing law took effect and fiva months later Istanbul's financial community is still wondering what will be the first major leasing deal.

Will it be for the F-27a and F-28s aeroplanes with which Sonmez Holding hopes to compete on some domestic routes with Turkish Airlines or for further ships to add to Turkey's expanding merchant fleet? Or for computers or industrial plant?

Initial local expectations that the enactment of the law would change the face of capital investment in Turkey are now giving way to a more realistic approach. In the summar the local Press was publishing articles headlined "Leasing will solve tha funding problem" and supplements entitled "I love leasing."

Today, as the law and its main implementing decree are being analysed, a more sober mood applies.

Leasing is slowly being understood as just another form of medium-term finance—the four-year minimum contract in the law makes full financial leases the order of the day rather than operational leases—and as subject to many of the normal problems of such finance in inflation-plagued Turkey.

Helping in this new realism are the professional conferences being held—for instance that arranged for next month by TSKB, the Industrial Development Bank of Turkey.

Now the focus of action is not between lessors and lessees but the quiet lobbying by financiers actively interested in the market during their day trips to Ankara. One recent key point discussed with the Miinstry of Finance was whether cross-horder lease payments will be subject to with-holding tax.

It seems they will not and that potential lessors have finally convinced the anthorities that such deals shonld have a tax status similar to that accorded to other forms of finance.

Framework

The law and implementing decree represent the fruit of long work hy officials, by industry representatives and by the International Finance Corporation, the private-sector finance arm of the World Bank group. Inevitahly, the Ministry of Finance has included points the private sector opposes, but most potential lessors believe the legal framework is now clear enough to provide a reasonahle starting point.

"Of course, there is hardly a point that will not change in the future," says one expert involved in the discussions. But on one provision the Turks seem adamant, that banks will have to set up special leasing subsidiaries if they wish to become involved in the sector.

Local leasing companies must have a minimum paid-up capital of TL 1bn ($1.9m) and foreign companies $2m.

The foreign banks had hoped that they would be able to use some of their existing Turkish assets without bringing furthar capital into Turkey. They would like to offset their tax liahilities through leasing, hut the authorities seem concerned that Turkish banks might have tripped up if they became directly involved.

As part of its general financial liberalisation, the Turkish Government has thus broken down the barriers to this instrument — some 20 years after Brazil and several years after all Europe, except Greece.

A number of major international leasing companies have been following these developments and are now poring over the legal small print. But foreign banks involved in leasing say it may be some time before outside investments in leasing companies are seeo in Turkey.

As one of them explains: "How are we going to solve the local funding prohlem? The law sets a minimum lease term of four years, but there is no four-year money in Turkey. that implies floating-rata leases, which are not that popular."

Another banker says: "I have not seen any serious potential investor."

The general expectatiou is that the first business done will be cross-border deals booked abroad and involving items such as lorry fleets, aircraft construction equipment, computers, manufacturing plant, or ships.

The Turkish authorities have accepted that cross-bordar lease deals will not attract import duty. "It will be a new form of export finance," one bank with a large leasing arm comments. "There may be more demand for leasa lines for Turkey than for increasing traditional export finance lines."

David Tonge is Director of IBS, International Business Services, Istanbul, a consultancy firm helping investors and traders interested in the Turkish market.

Government seeks greater competition

Insurance

DAVID TONGE

THE INSURANCE industry is worrying tha Ozal government, which would like to see baalthy, competitive insurance companies stimulating the country's fledgeling capital markets.

Instead, it is faced with a narrowly-ownad industry which shows little of the innovation now affecting the banking sector. Though open to foreign involvement, the foreign companies have long played a secondary role, collecting only six per cent of premium income.

The insurance companies do little in the way of productive investment. The latest figures availabla show that at the end of 1983 the insurance companies had less than a quarter of their assets in shares and bonds.

Critics of tha industry charge that insurance companies make excessive low-cost deposits with the banks which own them, describing them as "cash cows for thair owners."

Commercial prudence requires the industry to remain liquid; but, that said, the concentrated structure of insurance company ownership undoubtedly affects their commercial practices.

"I couldn't insure with my uncle's company," says one industrialist. "The hank made my last credit conditional on insuring only with their insurance group."

All major Turkish insurance companies are under the control of one singla group. Indeed, only 5.9 per cent of the shares of the industry as a whole are in the hands of the public. Recent government efforts to reform the sector have not been directed to spreading ownership bot to trying to modernise legislation unaltered for a quarter of a century. Ankara was worried that the companies did not have enough capital.

It was also particularly concerned at the unregulated operations of sales agents. "The chaotic conditions under which the sales organisations of insurance companies are operated has brought our insurance industry to a dangerous corner," said one official.

The law included some provisions welcome to insurance companies, including prison terms for "anyone imputing to an insurance company an action detrimental to its credit and/or reputation or diffusing unfounded rumours of this kind."

But tha Government soon found that it had succeeded in uniting against it the 25 Turkish insurance and reinsurance companies and the 14 foreign companies. The local companies were concerned that they would lose business through the legislation cancelling their rights to accept delayed payment of premiums.

With rates fixed by the authorities (and little changed for 30 years) companies have been competing through the credit they extend; 27 per cent of thair assets consist of debts from their clients and agents.

The foreign companies found that they were being obliged to capitalise both in their home countries and Turkey. They mounted a vigorous campaign claiming that this was against international practice, Turkey's association agreement with the European Community, and Brussels directives.

The net result was that the Government withdrew its draft bill and it is now considering where to amend and extend it.

Such opposition to change is hardly surprising given the extremely high profits in the aector. Premiums are fixed at rates well above those current in the industrialised West. Fire rates, for instance, are 0.8 per cent, about twice the industrialised norm.

Consequently, in 1983 local companies made post-tax profits equivalent to 21 per cent of their total income. Those accustomed to, say, the London market, where companies accept a small loss on insurance which is compensated by a profit on investment income, look with envy at the ratios of losses to premium income in the main sectors.

For fire, transport and engineering insurance, the insurance companies pay out in losses between a mere 29 and 35 per cent of their premium income. In the accident branch, the other main area, losses totalled 60.5 per cent of premium income in 1983, which is still a result that most industrialised countries' companies would be glad to achieve. These four areas accounted for 97 per cent of premium income.

In view of Turkey's high inflation rate, life assurance has not attracted many takers. In 1983 it accounted for no more than 2.3 per cent of premium income.

Leading insurance companies

End-1983

	Assets TLbn	Main shareholder	% share
Milli Reasurans	17.5	Turkiye Is Bank	77
Anadolu	6.8	Turkiye Is Bank	99
Aksigorta	5.5	Sabanci Group	99
Basak	4.7	Agricultural Bank co-operatives	80
Sark	4.1	Koc Group	67
Seker	3.7	State sugar industry	42
Gunes	3.5	Vakiflar Bank	51

One man think tank

Profile: Rustu Saracoglu

DAVID BARCHARD

TURKEY is going to prove that there is a serious desire to devise monetary policies in the way that more advanced Western organisations do, according to Mr Rustu Saracoglu, the Central Bank official who has recently been a kind of one-man think tank for the Prime Minister.

Mr Saracoglu, 37, cultivates the image of an academic economist who does not relish the limelight. Even so, he has been closely associated with several of the government's key economic decisions over the past year. It was his idea to put government bonds up for auction so as to determine interest rates through market forces.

He is currently advocating that Turkey should prepare its own standby programme—publish targets for the growth of the money supply and credit and explain the reasons frankly if these are not mat.

His most daring proposal, however, is that the hudget should be balanced. "The government is borrowing too much in the market," he says. "Deficits worry us, like all central banks everywhere."

Apart from considering obvious measures to help halance the budget such as more taxes and further public spending cuts, he suggests, tha government might be ahle to raise funds through measures such as the sale of customs warehouses. "The revenue would not he permanent, hut it would not be as transitory as one would expect either," he says.

A chance holiday meeting with the Ozal family in Bodrum brought Mr Saracoglu hack home from a career teaching economics and statistics in the U.S.

He is the grandson of a former Turkish prime minister and the son of a judge. He took a doctorate in economics and statistics at the University of Minnesota and worked as a research fellow at the Federal Reserve Bank of Minneapolis before going on first to an academic career in Boston and then the research department of the IMF.

His return to Turkey in July last year was preceeded hy more than two years close association with Mr Turgut Ozal, who had spent many hours discussing economics with him during visits to the U.S. while out of office in 1983.

Now Mr Saracoglu is widely regarded as the most influential of the Prime Minister's advisers, one whose quiet manner has attracted little jealousy even though he is clearly being groomed for higher things. Whether it will be in politics and the ruling Motherland Party or in the civil service is not yet clear, however.

"Rustu is a classical economist," says a senior civil servant. "His economics are strong hut on some matters—for instance balancing the budget—I don't think he always sees the political side of the prohlem." Much of Mr Saracoglu's work, however, consists of supervising the technical aspects of the transition to a free market economy.

Among these measures is the introduction of a new system of central bank supervision of the banking sector, and its provisions come into force next January. The system is now "virtually complete" and unlikely to change, he says. "We need to explain to the puhlic what our policies are and why particular decisions are taken."

His main concern, however, is to see monetary growth slowing down in 1986. "The reduction in the velocity of circulation which halped to keep inflation down this year, with a monetary expansion of 55-60 per cent, cannot continue. Monetary growth will have to slow down," be insists.

Ozal model for joint ventures

Finance measures

DAVID BARCHARD

WHEN the Government announced its new formula model for financing energy investments, such as the proposed 630Mw nuclear power station at Akkuyu on the Mediterranean, there was a sharp intake of breath by many foreign businessmen.

The formula—known to the government as "build-operate-hand-over"—turns the finance cost of major infrastructural projects into a balance of payments advantage by making them into a joint venture with a foreign company. Kwu, the West German consortium, pulled out of the Akkuyu project, for example, leaving the field to AECL, the Canadian nuclear power corporation.

AECL went ahead with the proposals, which involve a joint venture with TEK, the state electricity authority. If Canadian financiers can be convinced and a suitable financial package arranged, the deal should be under way before the end of the year.

Meanwhile, the Government is negotiating with three other foreign companies for coal-fired power stations. These include BBC of Switzerland, Seapack of Australia and a Japanese consortium. The advantage for the Government is not only financial. The arrangement is intended to ensure more efficient construction and management than some big power projects in the past, notably the big lignite-fired plant at Afsin Elbistan, whose construction proved a severe embarrassment.

Now the Government is planning a second plant at Afsin Elbistan, on the same scale as the first with four units of 350Mw. It says that this time it has decided to epply the "Ozal model" there and it has five proposals in hand, from BBC, Seapack, a Japanese consortium and Kwu, which is believed to consider the model more attractive when applied to non-nuclear power stations than it was at Akkuyu.

"An investor always has to take risks," says the Prime Minister's younger brother, Dr Yusuf Bozkurt Ozal, who heads the state planning organisation. "You are building in somebody else's country, but if you work with capable groups and you have some kind of government guarantee that should be enough to make sure you get your money back if the plant is built and run properly.

"It may not satisfy the export-import banks, but we are ebie to say to foreign firms "*don't just sell us the equipment, you can make even more money by operating it as well*.""

Financing remains tricky, however, as Dr Ozal points out, export credit agencies think in terms of financing the capital goods rather than the total investment; and the traditional forms of government guarantee cannot apply because in the new model the plant itself. It can simply offer a market guarantee and a price guarantee.

Nonetheless, the Government now believes that it has convinced a sufficient number of big foreign firms of the viability of the model and is studying ways of applying it to new areas of operation. An SPO committee set up by Dr Ozal some months ago is studying applications for smaller private sector investments and even for ports and airports.

It also believes that it should be possible to apply the model to leasing operations for sectors such as telecommunications, with the Government retaining an option to buy the equipment at the end of the period.

Bureaucratic obstacles are fewer

Foreign investment

DAVID RUDNICK

THE Turkish Government is making determined efforts to attract foreign investment, though the results of its efforts are as yet limited.

The former obstacle course of bureaucratic formalities surrounding investment authorisation has been much simplified by the establishment of a single Foreign Investment Directorate (FID) es the "one-stop" point of contact for potential investors.

Opereting within the State Planning Organisation attached to the Prime Minister's office, the FID has ecess to the highest levels of government and authority to co-ordinate the various ministries affecting specific investment proposals.

In addition to ettacking red tape, the government has mounted energetic promotional campaigns, both in Turkey and abroad, to publicise the opportunities and the generous fiscal and monetary incentives open to foreign investors.

Turkey's former inhibitions against foreign investment have been swept away by the realisation that by itself the country cannot generate anything like sufficient capital to finance tha ambitious growth targets which might one day qualify Turkey for membership of the European Community.

In the shorter term, foreign investment is seen as a means of killing several birds with one stone. Foreign companies bring with them modern management methods and technology. They may well enable a reduction of imports through the creation of new manufacturing infrastructure, as well as boosting exporting capacity. The hope is also that they will provide jobs for Turkey's growing workforce.

Foreign capital is notably being sought for the country's large-scale energy projects. Increasing power capacity in this way enables Turkey to evoid an immediate foreign payments outflow, and the necessity of increasing its already sizeable short-term debt liabilities.

For the potential investor, however, there are drawbacks as well as edvantages to Turkey. On the positive side, it offers a rich resource base and reasonable wage costs combined with a solid domestic market of some 48m people. Turkey is a convenient locatioo for exporting to the Middle East. Turkish business is generally found to be entrepreneurial in its approach, and—perhaps most *crucially*—Turkey is increasingly perceived as politically stable.

Yet there are bearish elements to be considered too, arising mainly out of the state of the economy. Inflation remains high, though it has been reduced so far this year from around 50 per cent to nearer 40 per cent. Interest rates for normal bank credit run to around 70-75 per cent, and the steep depreciation of the Turkish lira—though it may cheapen the immediate cost of buying into Turkey—is inevitebly adding to inflationary pressures.

When all these factors are weighed the picture is of a country that is, as the official statistics show, slowly attractiog the required foreign capital but is still far from echieving the decisive breakthrough sought by the Government.

FID figures refer to government euthorisations rather then actual capital inflows. Last year, for example, $271m of new investments were approved, but the capital inflow was ooly eroued $100m.

Allowing for this, authorisations so far this year indicate a distinct upward trend; between December 1984 and July 1985 foreign capital authorisations in Turkey rose from TL 118bn to TL 167bn. Two countries, Switzerland (with 17 per cent) and the U.S. (with 16 per cent) account for e third of all approved investment. Viewed on a sectoral basis, banking (with 19 per cent) and the food industry (with 14 per cent) similarly make up a third.

The American Commercial Attache in Ankara, Mr George Knowles, is bullish about the prospects. He speaks of "a flood of applications for investment insurance in Turkey from U.S. corporations," indicating that the Turks are certainly succeeding in attracting U.S. companies.

He sees the U.S. Export-Import Bank's recent move to lift its $200m ennual ceiling on guarantees of commercial bank credits as a sure sign of confidence in Turkey. In Mr Knowles' view, the free market, liberalising policies of the Ozal administration have attracted in hundreds of companies who would otherwise have kept away.

The investment treaty initialled in July between the U.S. and Turkey does seem symptomatic of Ankara's serious, businesslike approach. The treaty should enhance investors' confidence, since it extends statutory protection to their fair and non-discriminatory treatment, giving them and the Turkish authorities equal access to arbitration in cases of dispute, and replacing an untidy and confusing plethora of ed hoc government decrees.

The Swiss commercial attache, Herr Paasche, was also optimistic about inward investment prospects; but be emphasised that the Turks still have to prove they have inflation under control before they can expect the scale of investment they are seeking.

Hitherto Japan has hung back from any significant involvement in Turkey, but there are signs of increasing Japanese interest. The Keidanren is sponsoring the formation of a joint Turkish - Japanese economic commission, following a suggestion to that effect by Mr Ozal during a visit to Tokyo earlier this year.

The Turkish Government is placing considerable hope in its planned free trade zones as poles of attraction for foreign investment. Four are scheduled. Free ports et Mersin and Antalya on the Mediterranean coast are expected to open next year as trading and commercial zones, while Nemrut near Izmir, end Yumurtalik neer Adana are due to etert operating some time in 1987 as locetions for export processing industries.

It is possible that some potential foreign investors are curreotly holding back in anticipation of the free trade zones being set up.

Foreign banks, which have already grown in number over the past year or so, are likely to be particularly ettracted by the zones as sites for offshore banking units, but they should offer a suitable springboard for any concern aiming at Middle Eastern markets.

The Turkish Government clearly eppreciates the crucial role of foreign investment in its overall economic strategy. If it arrives on the hoped-for scale, it will greatly ease the difficult and politically dangerous transition to industrialisation that lies ahead.

Three prongs to strategy

Privatisation

DAVID RUDNICK

THE MOVE to privatise over 30 state-run concerns, many of them sprawling State Economic Enterprises (SEEs), needs to be seen in the context of the Turkish Government's budgetary problems and Turkey's relatively undeveloped capital market.

Privatisation serves two budgetary purposes. First, it is being used to mobilise funds for much-needed investment in the housing sector — there is e severe housing shortage in Turkey. But privatisation is also designed to cut current expenditure; a good part of Turkey's sizable budget deficit can be laid at the door of the high level of subsidies to the SEEs, though they are no longer the drain on the exchequer they once were.

The International Monetary Fund, anxious to see e structural reduction in the deficit, wholeheartedly supports further moves to cut expenditure on the SEEs. The World Bank is also sympathetic to privatisation; it is providing loans for sectoral studies and a six-month "master plan" study of the whole project being prepared by Morgan Guaranty Trust Company.

Morgan Guaranty tends to see privatisatioo in terms of the need to develop the cepital market, *both through* the quality of names—like the national eirlioe Türk Hava Yollari (THY) or Sumerbank, the textiles SEE—and the large-scale neture of the financial institutioos creeted.

According to one management consultancy and investmeot promotion firm there is still widespread distrust of buying shares in the present family-run companies. Not only is there rarely, if ever, any disclosure of the real financial situation in these companies. It is also questionable to what extent a non-family shareholder would be allowed to reap substantial benefit.

The Government is therefore anxious to mobilise the people's financial resources by offering them shares in public essets.

In practice, privatisation is taking three basic forms. First, the Government is selling revenue-sharing certificates, like those in the Bosporus suspension bridge end the Keban electromagnetic dam on the Euphrates. These revenue-sharing schemes might well have been specifically designed for the religious Muslim investor; since they do not involve the payment of interest, they do not infringe the Islamic ban on *Riba*.

Second, the Government is involving private investors in traditionally public sector activities, notably in the energy sector where the Government is hoping that private capital—both local and foreign—will invest in the construction and operation of the big power plants it has planned.

The Government's expansive aim is to make Turkey self-sufficient in electricity by the end of the current development plan in 1989, and it believes the private sector has a significant role to play. A number of local industrial groups have either already been issued with permits, or are under consideration to build power plants.

Finally, there is the projected sale of public assets, starting with the airline. Lazard Freres recently completed a study for the Government on bow best to rationalise THY'e operations and the various sales options that could be edopted.

Lazard has suggested a minority shareholding by a foreign airline—which should also have a management role—with the majority of the shares held by the Turkish public.

Mr Vahit Erdem beads the Directorate of Mass Housing and Public Participation Administration, the government department which is organising the sale of state assets and channelling their proceeds into mass housing projects. He is optimistic for the prospects of the sale of THY, which be says is becoming increasingly profitable (expected profits of TL 40bn this year, TL 70bn next year).

He welcomes the Lazard report, and hopes to sell an initial percentage of the THY equity to the airline's employees by the end of the year. Next year be plans to sell more of the equity to the general public, followed by a final sale of shares to Turkish and foreign companies.

At present, THY's prices are heevily subsidised on some of its internal routes, especially to Eastern Turkey, but after privatisation prices will rise to make these routes also profitable.

Under review

Studies evaluating the means of privatising the textiles, mining, cement and fertiliser industries are also under review. Mr Erdem regards the prospects for the first three as reasonable, but be foresees possible problems with fertilisers as a heavily subsidised sector "where the free market philosophy has penetrated least."

Mr Erdem'e department is directly linked to the Prime Minister's office, to emphasise the centrality of privatisation in the Government's overall policy, and its determination to overcome whatever resistance may be forthcoming from any parts of the government bureaucracy wishing to protect their public-sector progeny.

But a certain amount of *bureaucratic opposition* may be inevitable; the Turkish bureaucracy, like many others, is wedded to entrenched administrative practices, and bureaucrats are no fonder of losing power than any other people.

In broader terms, the political opposition is not, on present *evidence*, likely to prove particularly effective. The left, leaving aside its present institutional powerlessness, is demoralised and on the ideological defensive after the failure of its *dirigiste*, protectionist policies.

The Prime Minister, Mr Ozal, sees his victory in the 1984 local elections as popular endorsement for his privatisation strategy.

For his part, Mr Erdem, as chief executive of the process, sees few serious obstacles ahead. The SEEs, after years of loss-making, at last look like making a profit, and the successful experience so far of selling the Bosporus and Keban shares is an encouraging sign of the strength of public support.

The only fly in the ointment is that new, privatised administrations will almost certainly have to get rid of "some existing surplus staff." But that is a bridge that Mr Erdem will cross in due time; meanwhile guided by UK experience, he is eeeking for Turkey the improved motivation and efficiency he says he found et all levels when he visited British Telecom, Cable and Wireless, and the British Freight Corporation.

Contractors look further afield

Construction

DAVID RUDNICK

TURKISH CONTRACTORS ere looking to the Government's mass housing plan, and its ambitious power plant and transport expansion schemes to replace the lucrative business being lost in declining Middle Eastern markets.

Geographical proximity, common Islamic religion (especially a factor in Saudi Arabia) and the ability of Turkish companies to work on fairly tight margins have all contributed to the construction industry's striking success in the Middle East. But flagging oil revenues, the apparent end of tha infrastructure boom, increasing competition—from Korean businesses in particular, and worsening delays in payment, especially from Libya, have all combined to take the gilt off the gingerbread.

Libya'a debt to Turkisb contractors has been unofficially estimated at between $700m and $800m, and since many of the Turkish companies operating there are undercapitalised they are vulnerable to serious cash-flow problems if payment is delayed.

An agreement between Ankara and Tripoli was, howaver, finally reached in Saptamber, whereby Libyao oil exports will be used to repay $400m in Libyan debts. Next year the Turks will import 4m tonnes of Libyan oil, 1m of which will be used to pay contractors.

Libya is in any case no longer Turkey's biggest source of new construction work. Saudi Arabia now holds that position, though price compatition from Korean companies is becomiog increasingly keen. Turkish contractors are not particularly optimistic about prospects in the Middle East as a whola, unless peace between Iran and Iraq—not exactly imminent—triggers an unexpected reconstruction boom.

Some big contractors are therefore beginning to look farther afiald as well as closer to home. Sezai Turkes Feyzi Akkaya (STFA), traditionally a trailblazer in prospecting ovarseas markets, is vigorously pursuing contracts in Malaysia, Indonesia and Thailand; Mr Haldun Ozbudak, STFA's Overseas Marketing Director, calls Malaysia "the latest fad among international contractors."

A problem in South-East Asia, according to Mr Ozbudak, is that many countries there receive loans from Japan which stipulate as a condition that Jepanese companies should participate as partners in any joint ventura schemes.

STFA reckons to make a return of around 6 per cent in gross profit on its turnover of some $200m. Mr Ozbudak says that ebout 85 per cent of turnover still comes from outsida Turkey, though the company has suddenly taken on a bigger profila on the homa market with its successful bid, as lead Turkish company in a consortium with Japanese and Italian concerns, for the contract to build the second Bosporus bridge and connecting highways.

Concessionary Japanese finance belped the consortium to bid as low as $550m, and undercut the rival bid from Enka and Cleveland Bridge, the UK subsidiary of Trafalgar House whose tender exceeded $670m.

STFA is set to cash in on the opportunities offered by the Government's big power plant and transport development programme. Mr Ozbudak said a new affiliate, called STFA Enerji Montag, has been set up to specialise in power construction, transmission, lines and telecommunications facilities.

STFA Technological Installations, started last year, is another affiliate involved in the company's $15m contract, won aarlicr this year, to build e thermal power station at Orhaocli, near Bursa.

Power station

Tekfen Holding Company is another leading Turkisb contractor, but with approximately half of its business coming from within Turkey it is much more dapendent on the home market. Mr Feyyaz Berker, ona of Tekfan's three managing partners, says the major worry nowadays is the high level of interest rates, which is making investment unduly expensive and limiting demand for construction companies' services.

Ha pins his hopes on the government achieving its target of reducing inflation (from its present 40 per cent or so) to 25 per cent in 1986, and then bringing interest rates down accordingly.

Last year the Ozal Government set up a new housing fund, financed out of taxation, to try to deal with Turkey's chronic housing shortage. The fund, eccording to Mr Tekin Ozme, general secretary of the Turkish Contractors' Association, has so far accumulated TL 250bn.

The Government's housing target—to build 200,000 homes a year—is keeping some Turkish contractors busy but, says Mr Ozme, it is the smaller firms who are mainly interested, since bigger concerns lika STFA and others are geared to larger-scale projects than residential housing.

The Government has also set up a new authority, the General Land Directorato, which is, according to Mr Ozme, empowered to expropriate land and sell it to either private or municipal developers for big housing projects. One such scheme is Batikent in Ankara, a 50,000 unit residential project.

Construction contractors, howevar, tend to be doubtful that the Government's mass housing programme will be sufficient to keep the industry working to anything like capacity, or provide an adequate stimulus to compensate the sector for its dwindling Middle East business.

Thare is scepticism too in the industry that the sharp drop in the international value of the Turkish lira is improving contractors' chances of winning foreign contracts. While the lira's devaluation might enhance their competitiveness in the short tarm, the domestic inflation which is at once its cause and effect is forcing up input costs and thereby undermining long-term competitiveness.

The construction industry, like many other industries appears to regard controlling inflation as ultimately the Governmant's key policy goal.

Hope of bigger export markets

Agriculture

DAVID RUDNICK

An abundance of fruit and vegetables at the Mersin market, southern Turkey

ONCE SOMETHING of a cinderella sector, agriculture is clearly set to expand in the current (1985-89) five-year development plan.

Output is planned to grow by 3.6 per cent per annum, with the prime objective of increasing exports. The aim is to increase exports of agrarian products as a proportion of total Turkish exports from 7.1 per cent to 9.1 per cent during the plan period.

By 1989, it is hoped, agricultural exports will have risen to TL 374bn, as against TL 241.6bn in 1984.

Of tha 1989 total, 66.2 per cent should come from vegetabla prodoction, 27.4 par cent from animal busbandry, and tha residua from forestry and fisbaries.

Within the overall agrarian sector, the food industry is forecast to grow by 6.2 per cent per annum over the plan period. Since tha Turkish population is expected to increase over tha sama period at a rate of 2.3 per cent per annum, export markets are evidently expected to absorb wall over half of tha planned increase in ontput.

The fruit end vegetable processing industry should, according to the plan, be tha biggest category and account for 38.3 per cent of total food industry exports.

Turkey is among the very few (approximately 10) countries in the world whicb is self-sufficient in food, and Turkish planners are confident they have tha workforce and tha productive potential to meet the burgeoning demand for meat and processed foodstuffs from the Middla East and North Africa.

Despite its relative decline as a contributor to national income, agriculture remeins the largest singla industry, accounting for elmost 20 per cent of GNP and over 37 per cent of exports in 1984.

The current development plan stresses the need for increased investment if Turkey is to achieve its export targets. According to Mr Peter Rosenegger of the UN's Food and Agricultural Organisatioo (FAO), improved cold storage facilities, packaging, and sorting equipment are among tha greatest needs.

In Mr Rosenegger's view, marketing la a crucial factor. Increasing crude output is no longer as important as improving quality control, and achieving more efficient staodardisatioo and adequate labelling to meet foreign—in particular EEC—requirements. Tha FAO is overseeing a project aimed at improving food control at sales co-operatives.

Mr Rosenegger believes that more iovestment is also essential, to attract the interest of internationel consortia and multinationals willing to ambark on joint ventures (UnUever is one already in operation). Big new slaughterbouses and canning plants need large capital inputs, and, as in other sectors, Turkey is looking abroad for the investment.

The World Bank is supporting sevaral irrigation and rural developmant projects, and disbursing around $1bn, according to Mr Rosenegger.

Turkey has a robust surplus already on its agricultural balance of payments, and this is owad in no small measure to some enterprising exporting firms.

One of tha largest and most go-ahead is tha Izmir-based Yasar Holding Group. With a total turnover of some TL 50bn, Yasar's interests ranga from agricultura, food processing and brewing to papar, paints and chamicals, though tha group is paying particular attention to investmant in agribusiness.

Over tha past few months Yasar have started axporting meat products, but for several years they bave been exporting dairy prodncts, chiafly to tha Middla East and tha Gulf but also to West Germany where they have a distribntion company.

Dual standards

Yasar's latest project is a fresh fish farm, in which they hava invested over TL 1bn. Fish is evidently good export business; "evan tha Greeks," said the deputy chairman Mr Selman Yasar gleefully, "are coming to Turkey to buy fish."

Mr Yasar is bitter, bowever, at what he, in common with many other Turkish entreprenaurs, sees as tha dual standards applied by the EEC to trade with Turkey.

Ha says that ha accepts the Government's liberalisation of food imports, though ha understandably regrets the removal of tha formar incentives (tax rebates, low cost loans, atc) offered to domestic producers "after the Europeans had raised heli" about subsidised Turkish exports.

What be finds unfair is EEC farm subsidies which "make ii impossible for Turkish companies to competa with, for example, even Danish fetta cheese producers who can undercut them on export markets in Europe and the Middle East."

Similarly, he complains at bis own government importing milk powder at half the prica at which they themselves produce. One result of this unfair European competitioo, says Mr Yasar, is thet Turkisb farmers are somatimes forced to slaughter their livestock or sall their herds to Iran or Iraq—an unhealthy disinvestment.

There is a certain amount of euphoric talk to be beard of Turkey soon emerging as the bread-baskat of the Middle East. Mr Yasar is modestly self-deprecating about this, though his company and others have in fact carved out quite a niche in this area, halped by their common Moslem faith as well as geographical proximity.

Inflation, according to Mr Yasar, is the graatest anamy, in particular rising raw matarial and anergy costs. Tha coming privatisation of the state economic enterprises providing thase inputs is however viewed with some scepticism by some agricultural producers.

While walcoming privatisotion in principla, they fear that the necessity of paying shareholders an attractive dividend is likely, if anything, to raise rather than lower their costs.

Dominated by family dynasties

Holding groups

DAVID BARCHARD

THE RISE of the Turkish merchant state, perhaps predictably, has been accompanied by the appearance of several important dynasties of merchant—or rather industrial—princes who dominate the country's economic life and, increasingly, its political and social life.

Turkish firms tend to be family concerns, for Turks rely on close ties such as family, marriage, education, or home town to generate the trust needed to work in business with others. Though soma in middle management believe that — at least in the largest corporations —there will eventually have to be a shift away from family control that day still seems a long way off.

It is only in the past 15 years, however, that the family groups have been appearing in large numbers and their economic strength has begun to overtake that of the major state enterprises. A list in Fortune magazine last August, for example, gives only three Turkish companies in the top 500 outside the U.S. The largest of these is Turkiye Petrolleri, a state-owned petroleum corporation which came 116th. The other two Turkish groups were Sabanci Holding (at 168) and the Koc group (at 175).

Koc and Sabanci are both familiar names. Anyone travelling in Turkey on business will see evidence of their activity at almost every turn, including television and radio. One of the highlights of the past year in television was the appearance on the local version of "This is Your Life" of Mr Vehbi Koc, founder of the Koc group. Naturally, the programme was obliged to include Mr Sakip Sabanci, if only for balance.

Mr Koc's career began in Ankara during the First World War when his father opened a grocer's shop. After the war he was determined to move into the commercial vacuum left by the departing Christian minorities. A contract to build the roof of Turkey's Grand National Assembly was followed by a spell as agent for various Western companies including Ford. Gradually his trade network began to develop into an industrial empire.

The Sabanci group has a similar origin. The father of the five brothers who today control it migrated from central Anatolia to the Cukurova plain around Adana after 1918. His empire was originally based on textiles and cottons, just as that of Koc was based on the automotive industry.

Of Turkey's 500 largest companies, 23 now belong to the Koc group and 15 to Sabanci. Their nearest rivals are tha Izmir-based Yasar group with 11 companies and Anadolu Endustri Holding and Cukurova Holding with eight each. Cukurova, like Sabanci, originally hailed from the cotton-growing plain around Adana.

Cukorova Holding owns no fewer than three of Turkey's biggest banks — Yapi Kredi, Pamukbank, and Uluslarasi Endustri Ticaret Bankasi. Other acivities run through the whole gamut of light and intermediate industry in Turkey.

Koc makes white goods and tyres. Sabanci makes tyres, electromechanical goods, foodstuffs, chemicals cords. Yasar is noted among many other things, for its meat and dairy products. Anadolo Endustri is a beer producer but also owns Turkey's largest private aluminium producer, Nasas, and is active in shipping and electronics.

Cukurova engages in iron and steel production, banking, construction, printing, and construction machinery production. One group — Enka — is still known as Turkey's biggest contractor, but its industrial activities now go well beyond that. It is engaged in a banking joint venture with Chemical Bank and Mitsui which went into operation this autumn.

Enka enjoyed the first fruits of Turkey's economic turnround after 1980 because it had got into Middle East markets in the early 1970s and stayed there. In contrast most of the old holding groups grew up in the easy days of "import substitution," making products on a relatively small scale for the home market. Though all of them pay lip-service to Mr Ozal's reforms and seem to accept that Turkey must become an exporting nation if it is to survive (which implies a radical break with featherbedding) they have not found conditions easy over the past five years.

Credit for investment has disappeared along with the buoyant market demand which sustained growth in the 1960s and early 1970s, so the big groups have been forced to become exporters. In 1984 Enka, which has the most aggressive foreign marketing house in Turkey, led the way with exports of $343m. But tha success of Koc's marketing group, Ram Dis Ticaret, in selling $249m in exports is perhaps, even more striking.

A decade ago Koc was littla interested in the foreign world except as a source of machinery and technology. Now Koc is one of Turkey's most effective exporters.

The lavish lifestyle and the prestige of the leading families is almost reminiscent of that of the senatorial class in Ancient Rome. It receives fascinated attention from ordinary Turks.

Although Koc and Sabanci delight in handing out nuggets of advice and wisdom to anyone who wants to become as rich as they are, they avoid two things at all costs: they never allow themselves to be seen feuding in public and they avoid getting drawn into politics. They even avoid the factionalism of tha chambers of commerce and industry, at least in an identifiable way.

Turkey's major industrial groups

NAME	Principal areas of Activity	No. of Co's in Turkey's 500 largest companies	PROFIT (TL bo)	1984 EXPORTS $m	SALES (TL bo)	Employees
KOC	Motor industry, white goods, banking, etc.	23	59.1	249.9	1,083	29.643
SABANCI	Banking, plastics, textiles, cement, machinery, etc.	15	68.8	184	1.116	28,000
YASAR	Paint, chemicals, banking, food and dairy products, brewing	11	7.6	100	152.8	8,500
ANADOLU ENDUSTRI HOLDING	Machinery, metals, shipping, brewing, motor, food	8	6.8	176	200.7	7,000
CUKUROVA	Banking, textiles, construction, machinery, steel, chemicals	8	n.a.	314	n.a.	45,000
SISE-CAM	Glass and bottles	7	2,096	133	142.1	15,945
ENKA	Contracting, machinery, foods, banking, marketing	6	n.a.	343	416.0	22,000
BORUSAN	Pipes, cables, tubes	5	1,321	54.0	48.0	1,650
PROFILO	Electronics, white goods	4	6,441	15	92.8	6,300
ECZACIBASI	Ceramics, pharmaceutical, medical products	4	n.a.	n.a.	n.a.	n.a.
HEMA	Motor industry, tractors, gears and transmission	4	n.a.	6.4	10.0	1,300

Economic cornerstone

Textiles

DAVID RUDNICK

TURKISH TEXTILES, like Japanese cars and Saudi petrochemicals, are "disruptive." Over the past decade or so, textile exports have erupted on to foreign markets, complicating already difficult relations with the European Community and—to a lesser degree—the U.S.

The Turkish textile industry say that export demand underpins growth on the home market. Certainly the sector is, with some justification, seen as a cornerstone of the Turkish economy, employing almost a fifth of the workforce and accounting for about a quarter of Turkey's export earnings.

Textiles were already playing an important role in the Turkish economy in Ottoman days; by the 1930s they were supplying around 80 per cent of domestic requirements. Nowadays the industry is undergoing rapid transition; shuttle-less looms are replacing more traditional ones, and integrated systems are increasingly being installed.

With an annual cotton harvest of around half a million tons, Turkey has become one of the world's big cotton producers. The production of cotton yarn from the domestic harvest expanded so rapidly during the 1970s that now about a third of total output is exported.

There have also been considerable advances in the development of artificial fibres; about 10 per cent of annual production of cotton textiles contains viscose and polyester.

Turkey's aggressive export drive has set alarm bells ringing in markets, most notably in the EEC, where domestic producers were already under pressure from increasing import penetration. In September, the European Commission imposed strict limits on imports of clothing from Turkey after the breakdown of negotiations for voluntary restraint.

The new restrictions will hit a range of Turkish exports, from T-shirts to trousers, pullovers and bed-linen. Specific limits have also been drawn up for Turkish sales of underwear and dresses to the UK, socks and underwear to West Germany and dresses to France.

The European Commission said that Turkish textile exports to the Community had increased sharply in recent months, threatening serious damage to EEC producers. They denied Turkish claims that the Community was acting in breach of its obligtions under the joint EEC-Turkish association agreement, citing a "safeguard" clause in the agreement to justify their action.

In addition, the EEC alleged that Turkish exporters were evading quantitative restrictions by selling their goods to the Community via third countries.

In 1984, the EEC took 147m tonnes of textiles from Turkey, compared with 117m from Hong Kong and 115m from Portugal.

The Turkish success attributed partly to the efficiency of their trucking distribution system, and the relative propinquity of Western Europa compared with the vast distance of East Asian markets.

Turkey has had its textiles problems with the U.S. too. The Turks had hoped in the early 1980s that the U.S. market might offer the outlets for their exports which were restricted by the EEC. But the U.S. textile lobby turned out to be every hit as effective as its European counterpart, and by 1984 the U.S. Commerce Department was threatening to impose a 17 per cent tariff on Turkish textiles exports.

Under pressure, the Turks in February 1985 signed the subsidies code of the General Agreement on Tariffs and Trade (Gatt) and agreed to a phased abolition of their export subsidies to the sector.

In return, the Americans lifted their tariff threat and a crisis was averted, though Turkish exporters are said to be much more uncertain now of their prospects of expanding sales in the U.S.

Akin Tekstil is a long-established family concern with an entirely export-oriented, ready-to-wear clothing department. The chairman, Mr Rustu Akin, is philosophical about the EEC's protectionist stance; his company, nothing daunted, will double its efforts to find alternative markets—and take away from EEC producers—in Soviet bloc and Third World countries.

A different kind of business, that has moved up-market into the boutique-style, high fashion area is Vakko, founded by Mr Vitali Hakko (thus the trade name) some 30 years ago. Until recently, they claim, Turkish fashion buyers automatically went abroad to buy what was chic each season, but now Vakko provide eminently acceptable Turkish modes.

They associate with the big names of international haute couture—Cerruti, Chloe, Daniel Heschter—and display their collections at fashion shows in all the main European capitals.

Search for alternative sources

Energy

DAVID RUDNICK

TURKEY FACES a potentially unmanageable energy deficit by the end of the century. The population of 48m is increasing at an annual rate of 2.3 per cent, and if the Government's ambitious industrialisation plans come anywhere near fruition the calls on eoergy will far exceed Turkey's present capacity.

Turkey's per capita consumption of energy is put at around 600 kilowatt-bours (kwb) a year, very much less than that used by industrialised Western countries. Installed power capacity at the end of 1984 was about 7,600 megawatts (Mw), of whicb 3,500 Mw were thermal and the balance hydroelectric. Electricity consumption, 29bn kwb in 1984, is expected to rise to close on 200bn by the end of the ceotury.

Accordiog to the latest Turkish Central Bank report, priority will be given to domestic sources to meet this extra demand, "bot wben necessary, preferably cheap energy will be imported."

At present, about 70 per cent of Turkey's total national energy consumption is imported; about 7 per cent of electricity consumption is purchased from the Soviet Union and Bulgaria, and the hope is to tap the national grids of other neighbours over the next few years. However, the headlong fall in the exchange value of the Turkisb lira is pushing up the cost of importing energy, and providing an added incentive to developing indigenous supplies.

In pursuing this objective, Turkey's energy planners bave given mucb thought to finding the optimum balance between elternative eveilable forms of energy.

In August, the Turkisb Government coocluded an agreement to build the country's first nuclear power plant at Akkuyu, on the Mediterranean coast, with a group led by Atomic Energy of Canada (AECL), with its partners NEI Parsons of the UK (wbo will make the electrical generating equipment) and the Enka construction company of Istanbul, AECL's local partner. The Turkish Electricity Anthority (TEK) also has a minority (40 per cent) stake in the project.

AECL expects the plant to take about six years to build, and is confident that the electricity it produces will be competitive with the average cost of electrical energy available in Turkey from other energy sources.

Financing arrangements for the project still bave to be finalised, but the Under-Secretary at the Ministry of Energy, Mr Ahmet Selcuk, bopes that negotietions will be complete and the deal signed and sealed by the end of the year.

Benefits

The nuclear option offers potential secondary benefits in the form of scientific and technological spin-off. "Turkey," as one official put it, "needs to get into the nuclear game now." But the Government is well aware of the thorny associated problems such as waste disposal, and Mr Selcuk voiced some scepticism about investing too beavily in new nuclear technology.

Turkey bas substantial unexploited reserves of bard coal and lignite, and the latter looks set to play a critical role in the thermal electric plants planned or under construction. Total known reserves of bard coal are estimated at about 1bn tons, but proven and probable lignite reserves are around 8bn tons, though balf is of relatively low calorific quality.

Under the present (1985-89) five-year development plan, TEK—which is responsible for tha construction of thermal power plans—has given bighest prority to two thermal generation projects.

For one, at Saray, an international tender is expected to be called next yaar. For the other, at Karliova, TEK is negotiating with the Elektrim company of Polaod; TEK is said to hava proposed a barter deal wbereby the cost of the plant would be paid by commodity exports to Poland.

Elektrim is quite experienced in Turkey, baving already undertaken the installation of four other thermal power plants.

In all, about ten thermal power atations with output totalling around 5,000 Mw are under construction, the largest being the (much-delayed) lignite-fired Afsin-Elbistan A project in eastern Turkey.

The first unit was finally put into operation earlier this year; the remaining three units are scheduled for completion in 1986 and 1987. TEK bas completed a preliminary design report on the B group of this plant and presented it to tha energy ministry for evaluation.

If finally approved, it may be included in the 1986 investment programme, provided that et least 85 per cent of the project cost is met by foreign credits.

Three foreign companies — Bechtel of the U.S., Brown Boveri of Switzerland, and Seepack of Australia—are negotiating for the construction end operation of three 1,200 Mw thermal power plants designed to burn imported coal, and costing an estimated $1bn each. Negotietions are, however, said to be proceeding slowly.

The Turks would ideally prefer to use their own lignite resources, and employ their own companies to build their thermal plents, provided that their engineers and management are up to it. Apart from the foreign exchange savings involved, Turkish companies can produce most of the components (except for the really big turbines), and the relative proximity of coal reserves to big population centres means comparatively low transport costs.

But hydroelectricity probably offers the most cost-effective energy investment for Turkey. Once fixed capital is in place, overbeads and maintenance costs are relatively low, there is no outflow of foreign exchange, and bydro schemes produce substantial secondary benefits—notebly increased irrigation resources.

Vulnerability

There are snags, bowever. Not only is Turkey vulnerable to drought (as this past summer has sbown), but syphoning off the upper waters of the Euphrates could spell trouble with Turkey's downstream neighbours, Syria and Iraq, which are, if anything, even more dependent on them for their irrigation needs.

Tha jewel in the crown of Turkey's hydro development programme is the proposed 2,400 Mw Ataturk dam—itself on the Euphrates—wbich, it is hoped, will start operating in 1991. Other bydro projects scheduled for completion in tbe late 1980s include the 1,800 Mw Karakaya dam and the 700 Mw Altinkaya dam.

The Energy Under-Secretary, Mr Selcuk, says be favours expansion of the hydro sector most of all. At present, only 15 per cent of Turkey's hydro power potential is being tapped, thongh the new plants planned and under construction could almost double generating capacity by the end of the decade.

Oil is Turkey's Achilles' heel; it provides a mere 13 per ceot of its energy needs, and Turkish output has fallen to a mere 40,000 barrels a day. The former director of the state-owned Turkish Petroleum Corporation (TPAO), Mr Ismail Kafescioglu, says be still believes Turkey could one day become self-sufficient, though he admits drilling for such deposits as exist is technically difficult and financially unattractive to the big oil companies.

About 20 concerns, including Esso, Shell, Mobil, and Amoco, are exploring in Turkey, though few are actually exploiting reserves and fewer still expect to make worthwhile discoveries.

Turkey's geology is such that it has a string of small-yielding wells wbose exploitation may make business sense to some small-scale operators, bnt is unlikely to interest the majors.

With inadequate oil reserves, Turkey is therefore anxious to develop both its hydro and thermal resources, including coal whicb the Government still sees, despite its polluting properties, as a worthwhile means of diversifying its energy usage.

Guarantees

The builders would receive e guaranteed price and a guaranteed market from the Turkish Government for their product, before handing it over to the Government.

Thus, if the AECL-led nuclear power scheme goes ahead as expected, the project will be in effect a huge foreign investment in Turkey; the consortium will operate the plant for 15 years as a joint venture with TEK—after which it will be turned over to the Turkisb Government.

This "set-it-up, run-it, turn-it-over" policy, the Ozal model as it has come to be known, is expected to be followed by the Government in many of its infrastructure projects which require large-scale foreign financing.

Existing and planned generation of power by fuel type (Gwh)

	1985	1986	1987	1988	1989	1990
EXISTING						
Hydroelectric	12,262	12,762	12,762	12,762	12,762	12,762
Lignite	8,751	8,751	8,713	8,713	8,713	8,713
Coal	562	562	—	—	—	—
Fuel oil	4,358	4,358	4,358	4,358	4,358	4,358
Natural gas	—	—	—	—	—	—
Gas oil	131	131	131	131	131	131
Sub-total	26,024	26,564	25,964	25,964	25,964	25,964
NEW			4,431	7,741	9,663	10,891
Hydroelectric	—	1,004	8,038	11,596	14,274	15,757
Lignite	1,800	4,504	135	458	551	708
Coal	—	—	—	—	—	—
Fuel oil	—	—	2,599	3,449	3,600	3,600
Natural gas	—	1,050	—	—	—	—
Sub-total	1,800	6,558	15,203	23,244	28,088	30,956
TOTAL						
Hydroelectric	12,262	13,766	17,193	20,503	22,425	23,652
Lignite	10,551	13,255	16,751	20,309	22,987	24,470
Coal	562	562	135	458	551	708
Fuel oil	4,358	4,358	4,358	4,358	4,358	4,358
Natural gas	—	1,050	2,599	3,449	3,600	3,600
Gas oil	131	131	131	131	131	131
Grand total	27,864	33,122	41,167	49,208	54,052	56,920

Source: Turkish Ministry of Energy and Natural Resources: State Economic Enterprises for Oil, Coal, Electricity and Hydraulics.

New mining law may boost exports

Minerals

DAVID BARCHARD

LAST YEAR Turkey exported $290m worth of minerals. The sector is clearly in the doldrums and efforts by the state-owned Etibank which dominates it to find foreign partners bave not been a big success.

Eitbank has one large project, at Cayeli on the Black Sea. There it has set np a joint venture with Phelps Dodge and a Turkish private corporation, Gama Endustri, to mine a variety of metal ores and is about to implement a second venture at Beypazari, near Ankara, to produce salt ash with FMC.

But investment has been disappointing. One venture—with Pelligrini of Italy—to quarry marble for export seems to beve quietly folded. Etibank's bopes of finding major partners for aluminium production have also been disappointed.

Last summer, however, the Government published the second major revision of mining legislation in less than four years. The hope is that it will sweep away many of the bureaucratic and practical restrictions of tha past and encourage both local and foreign privata investment in Turkish mining.

Among the changes are the freeing of all minerals, including some strategic minerals previously reserved for the state, for private prospecting and exploitation; the abolition of a royalty system based on tonnage and the introduction of one based on profit; the setting up of a mining fund to make soma money available for investment finance (thougb the Government makes it clear that it is intarested mainly in large-scale prospectors); and the easing of formalities.

Swept away

Most welcome of all, some anomalies whicb deterred investors in Turkey—particularly a provision wbereby two prospectors could bave licences to exploit different minerals on the same land—have been swept away.

Will these incentives prove attractive enough for private investors? So far Turkey's major industrial groups hava not paid mnch attention to the mining sector, with the exception of the Koc Group. Foreign companies have been daterred by edverse business conditions and a certain amount of xenopbobia.

During the 1970s tha mining sector was often singled out by the *Left* as an area where foreign penetration had to be resisted and in 1978 the Ecevit Government nationalised mining. The resultant fall in output has taken several years to put right. The move seems mainly to have benefited a large number of small private mining companies which have since resisted moves to re-privatise them.

Some $206m of Turkey'a $290m mineral exports last year were carried out by the Etibank (stete mineral agency), e vast conglomerate dating from the 1930s. Last year tha bank made a TL 70bn profit. This came from its operations in boron (of which it currently bas a monopoly), ferrochrome and banking. It showed substantial losses on its copper, mercury, wolfram and seilite operations.

It claims to be not mocb affected by the depressed world market for minerals since it has relatively little money invested in copper and aluminium extraction.

Boron—nationalised in the early 1970s but now open to new private sector ventures—and salt ash are its main money-spinners. Etibank has had some notable reverses in other areas, notably sheilite and wolfram mining on Uludag, near Bursa, where surveying was carried out 40 years ago and the end-product is still vestigial, largely becausa deposits proved to bave much less wolfram than expected.

With boron the outlook is much brigbter. Turkey has 60 per cent of world reserves of this mineral and deposits in tbe U.S. face eventual depletion. The salt ash deposits (used in glass manufacture) are less important in global terms, ranking after tbose of Wyoming and Kenya, but they still amount to 100m tons. There are also substantial deposits of chromite.

Everyone in Turkish mining, whether in the Etibank or the Union of Mining Exporters or private consultants, agrees tbat mineral exports could easily be doubled and perhaps trebled. Lack of capital and government attention are cited as the two main problems.

"Industry and agriculture are well organised in Turkey," says one Istanbul businessman. "They heve big pressure groups behind them which make claims on the Government's ettention. That isn't so with mining. The result is that it has had much less than its share of attention and investment."

Altbough mineral deposits have been fairly systematically surveyed over the past 40 years by the state prospecting agency, MTA, regarded as one of the country's most efficient governmental agencies. Turkey is big enougb and geographically varied enough to hold out hope of some worthwhile discoveries, though mining engineers do not expect them to be sensational. The Turks would be glad of further deposits of iron ore or carbonated zinc ores were found.

Etibank is essential to the development of the sector. It has been run since the early 1980s, by Mr Muammar Ocal, who was in charge during a period when it was beginning to seek foreign partners.

Recently Etibank began examining its own structure. It has even made e study of the possibility of privatising itself and submitted it to the SPO for consideration. It is believed to be the first major agency in Turkey to taka this step.

The sector receives higher funding

Transport

DAVID RUDNICK

THE CLICHE that Turkey is a bridge between Europe and the Middle East has particular relevance today, with Turkey's political stability and neutrality in the Gulf war enhancing its attractions as a transit land.

According to the Turkish Transport Association, the transport and communications sector will absorb 33 per cent of the 1986 investment budget, as against 24 per cent in 1985. This means that the sector will receive the largest allocation of funds, for the first time replacing the energy sector whose development the Government hopes to see partly financed by more foreign investments.

The Government's ten-year transport Masterplan, introduced in 1982 and now undergoing its first three-year revision, envisages an ambitious programme of modernisation and expansion of port facilities and transit road and rail routes. By 1993 the Government hopes to have a double-lane motorway running all the way from the Bulgarian border through Ankara and Adana to Iskenderun, near the Syrian border.

All the state highways and 70 per cent of urban roads are to be asphalted, and 11,200 kilometres of road are to be upgraded to take heavy vehicles. The second Bosporus bridge will form an integral part of the proposed new motorway system.

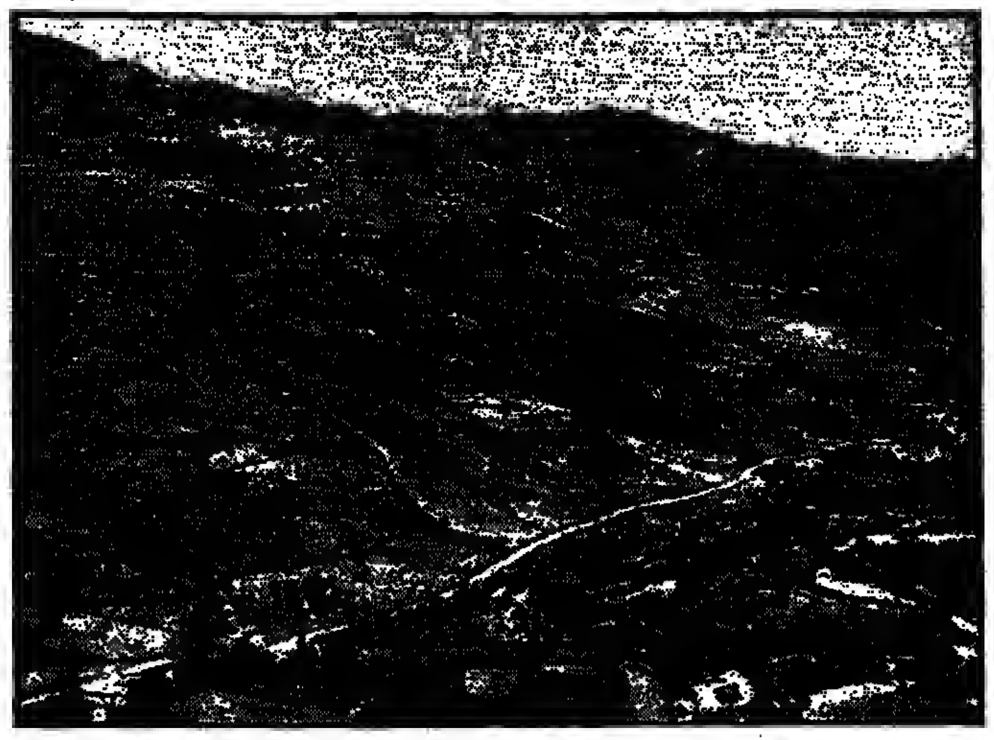
Past neglect of investment in transport and communications, and the size of the investments required make the Masterplan's targets look unrealistic to many seasoned observers, but some progress is already in evidence.

Capacity at transit trade ports like Mersin and Iskenderun on the Mediterranean, and Samsun and Trabzon on the Black Sea has been enlarged, and more modern cargo handling equipment installed, especially for containers.

With the help of the World Bank, the Government is also set to improve all the main East-West land trade routes; it is hoping for Kuwaiti aid specifically to upgrade the road from Mersin to the Iraqi border and speed up freight delivery to and from Iraq.

Road hauliers have certainly benefited from the boom in transit trade linking Europe with Iran and Iraq, though business has perceptibly levelled off of late as the financial reserves of both Gulf protagonists have dwindled, and they increasingly cut down on their imports.

According to Mr Mithat Kunt of Transtürk Holding Group, 90 per cent of whose $20m turnover comes from transit trade, there are still some big contracts around and his company's revenues are holding up because much of the merchandise they deliver to Iran and Iraq, like water and sewage pipes, are in inelastic demand.



A mountainous road near Bergama, typical of the transit route heavy lorries have to take

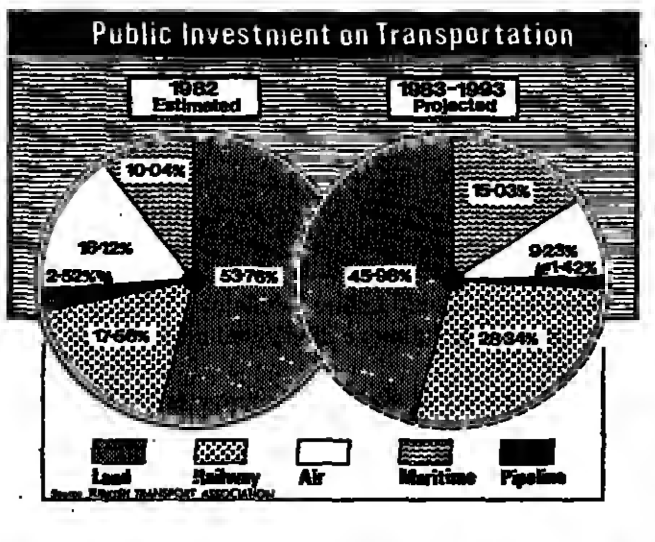
Consignments

Mr Kunt says European companies have on the whole lost more trade there than Turkish companies, so Transtürk is now carrying fewer consignments through from Europe. Mr Kunt, like many others, is confident however that when the Gulf war finally ends, this business will boom again on the back of demand for the transport of reconstruction materials.

In the meantime, the Government's proposed development of four free-trade zones should add appreciably to Turkey's transit trade, estimated by the Turkish Transport Association to have been worth around $730m last year.

According to the association, a total of 5.1m tons of international freight were carried on Turkish vehicles, and $247m earned in foreign currency during the first half of 1985.

The Turkish railway system has not benefited to anything like the same extent, since it has been hampered by poor line capacity, insufficient and outmoded rolling stock and inadequate signalling. But improvements are on the way with the Government's $725m modernisation programme.



One proposed project is to build a light rail transit system for Istanbul; a joint venture of the Swedish concern ASEA and the Turkish firm Yepi Merkezi has won a $77m contract to construct the first stage.

Turkey's merchant shippers have also benefited from Turkey's increased international transit trade, particularly with Iraq and Iran which is reckoned to be worth around $600m. As with the road hauliers, business may have flattened out but it remains steady.

The Government is anxious to see as much as possible of Turkey's growing trade carried on nationally registered ships; four years ago some 75 per cent was accounted for by foreign carriers, representing an outflow of around $500m per annum.

To remedy this, easier credit and relief on freight charges were introduced; as a result of these incentives the Turkish merchant fleet has more than doubled from 2.5m dwt to over 5m dwt.

The Government hopes that by 1993 at least 60 per cent of all trade going through Turkish ports will be in nationally registered ships, and that the fleet by then will amount to 7.4m dwt, or nearly 1,000 vessels.

The Masterplan's projections of Turkish foreign trade into the next decade suggest that the fleet indeed needs to be expanded if Turkey's freight bill is to be kept within bounds. By 1993, according to the Masterplan, imports of dry and liquid bulk goods are expected to rise to 37.2m tonnes (9.94 in 1981) exports similarly to reach 13.6m tonnes (1.6 in 1981).

Mr Pekin Baran, president of the Istanbul shipping company Denizcilik, has little doubt that the funds expended by the Government, through incentives to build up the fleet between 1980 and 1984, have proved a worthwhile investment in saving a disproportionate amount of foreign exchange.

He quotes figures from the Istanbul Chamber of Shipping which show that the $887m spent over the period by the Government resulted in incremental foreign exchange earnings of $1.95bn.

Martial law looms over industrial relations

Labour

DAVID BARCHARD

THE MAIN Istanbul office of the country's biggest labour confederation, Turk Is, is in a quiet flat in one of the smartest areas of the city and it helps to convey the impression that industrial relations in Turkey are still on the back burner.

Since 1980 much of industrial relations has been affected by martial law. This is still in force in Istanbul, and the other important centres where it has been lifted are mostly under a formal "state of emergency." But Mr Sevket Yilmaz, president of Turk Is, which has an estimated 1.2m members out of a total workforce of 18m, has confronted the Government with demands for big wage increases.

So far he has not had much success. Wage increases have been held well below the 53 per cent inflation of 1984, with a Government target of 23 per cent for 1985. In many sectors collective bargaining is carried out before panels of judges who arbitrate between unions and employers. Mr Yilmaz has several times gone into meetings armed with Government promises that there would be trouble if there were no big increases—only to leave with little to show his members.

Two factors seem to be at work. First, the Government's economic strategy cannot allow a wage explosion. Many employers seem to feel that wage increases are being held back and are not an important contribution to inflation. The OECD annual report on Turkey, however, cites some private sector pay increases of 80 per cent or more last year as a danger signal.

Secondly, even if he did not already have problems with inflation, Mr Ozal is well aware that an abundance of cheap and relatively skilled labour is one advantage that Turkey enjoys in trying to woo foreign investors.

During his visit to Japan earlier this year the Prime Minister pointed this out—and got a mixed reaction in the Turkish Press. There has also been criticism of proposals to hold down wages and make strikes illegal in the free trade zones to be set up next year.

In any event, as Turk Is officials such as Mr Vahap Guvenc make clear, the legal restrictions on trade unionism severely limit their options. Since 1982 and 1983 unionism has been curbed by constitutional and legal restraints which Mr Yilmaz would probably like to change. But he has little chance of doing so.

The more militant unions of the 1970s have in any event been subdued by more drastic means. About 2,000 officials of the radical Left-wing confederation Disk are on trial, many of them facing the theoretical possibility of a death sentence. All are currently out of prison, according to Mr Guvenc, who rejects allegations that some of them were tortured.

"I have friends among them and I asked them about it," he says. "They said they were not tortured." But Disk is in retreat at least for the foreseeable future.

Turk Is has so far conducted a few strikes. One last year was in a small dockyard. Another is now under way at United German Pharmaceuticals, an Istanbul based company. The Government has allowed the company to import the products it can no longer make, thus causing the strike to be more painful than it might otherwise be, according to Mr Guvenc.

Loyal

The climate for militancy remains however. Many of the plants were manned by Disk unions (the confederation had about 400,000 members mostly in advanced sectors) but they have not joined new unions and remain unrepresented. The implication must be, says the owner of an Istanbul textiles factory which falls into this category, "that they are staying loyal to Disk and hope to revive its activities when they can."

Some important industries are still without their own unions, perhaps for similar reasons. Workers at the Vestel Ferguson electronics plant near Manisa, for example, belong to no union. Although the management hopes that its facilities will be attractive enough to prevent its workers looking to the unions it is not clear that this will always be successful.

Meanwhile, two other confederations are vying with Turk Is. Both were once affiliated to Right-wing pre-coup political parties — though the new union law prevents any political links. One is Hak Is, an Islamic movement which, some claim, has been infiltrated by Disk. The other is Misk, formerly the labour wing of the ultra-right-wing Nationalist Action Party. Unexpectedly, it was allowed to reorganise about a year ago.

Both confederations probably have fewer than 100,000 members and are hampered by restrictions which compel them to have more than 10 per cent of the workforce in a particular sector before they can become eligible to carry out collective bargaining.

TURKEY Banking: Investment: Trade 12

Prime Minister Ozal gives his views on the economy, relations with the European Community, and human rights in his written replies to a wide-ranging series of questions put by David Barchard

Question: Are you satisfied with the progress of the Turkish economy in 1985? Are you worried that inflation remains above target levels while growth seems to be slowing down?

Answer: The performance of the Turkish economy in 1985 had been hetter than we expected. In the beginning of the year, we had the courage to implement the Value Added Tax System. This new tax caused a considerable jump in the inflation rate, which created a problem in meeting the target.

Because we did not allow the inventories left over from 1984 to be excluded from the VAT, the first estimate of GNP growth came out lower than it actually was. Industry underdeclared production to make up for the new tax payments. This under-declaration was spotted through power consumption. The increase in electricity consumption by industry in 1984 and 1985 was close to 12 per cent.

The increase in production should be identical with this figure as it was last year. Thus, there is no slowdown in growth in real terms. This will show up in the second and third estimates of growth rate.

The other good development is the acceleration in exports.

The export credit system in 1985 is completely different from 1984. For the first time, Turkish exporters are faced with the real interest rates in export loans. This created a certain hesitation which ended in a slight stagnation in exports in the first months of this year. Once the exporters realised that they could still work with the real interest rates, exports started to pick up.

Tourism revenue is nearing $1.5bn this year, Workers' remittances are also above last year's level. Best of all is that the budget deficit is turning out to he much smaller than predicted, due to the increase in tax collection. With the aid of the tax rebate scheme, VAT has produced fruitful results in reducing tax evasion. For the first time tax incoma has surpassed the budget estimate.

Q: Your policies are freqnently criticised for their social costs. How severe do you think social problems such as unemployment are in Turkey? Is there any risk of their becoming unmanageable?

A: There is a misunderstanding about our policies. In no year since these policies began has growth rate been slow. It has never gone below 4 per cent. We consistently had one of the highest growth rates in the Organisation for European Co-operation and Development. Our growth rates had also been higher than the socialist countries in southern Europe. We hove never laid off a single public sector employee solely to benefit efficiency and we ore trying to develop more humane methods to improve efficiency and prodnctivity.

> ‘One of our major aims is to tackle the housing shortage. We plan to provide 200,000 homes per year.’

One of our major aims is to tackle the housing shortage. We plan to provide at least 200,000 homes per year. This was an incredible problem in Turkey before we came to power.

There are no wage freezes in our austeriy programme. Even though we have reduced subsidies in general, we have also introduced them, specifically in the form of income tax refund. Our social policy is to give subsidy only to the needy. Therefore there is no across-the-board costly subsidy programmes.

Starting next year, we will implement a programme of food assistanca to pregnant women and to the newborn to eradicate malnutrition. In the same way we supported a more balanced diet for cbildren ot school.

Less developed regions of Turkey have been given priority. All villages in these regions will hove electricity by the end of 1987. Many provinces will also have automatic telephooe connections down to the villages by 1988.

As long as the growth continues, and balance of payments picture is healthy, we do not see Turkey falling into the same problems as she did before 1980. Healthy growth, low inflation will hring further prosperity and improve the welfare of the people.

Q: Are you satisfied with the volume of foreign investment so far this year in Turkey?

A: Foreign investment develops gradually. Looking at the experiences of all other countries, we see thot it flows in a slow but steady rate. There are usually no sudden jumps.

There is an enormous interest in Turkey hy many investors. By the end of 1985 and in 1986, we expect good development in many large projects which will change the attitudes of hesitant investors positively.

In terms of foreign investment, Turkey is the largest market in the Middle East and potentially the most rapidly growing market in the Middie East, with the added advantage of having access to the most interesting markets of the world; that is, the Socialist Block, the Middle East and the Common Market.

Mr Turgut Ozal, Prime Minister: Turkey has been undertaking a more intelligent borrowing strategy

We also have the hardest working skilled labour force, and a good work ethic. It is a very dynamic operational hase.

Q: Which sectors do you see as the most promising for the Turkish economy in the medium and long term? What steps are taken to encourage them?.

A: Turkey has the potential of being competitive in both high and low technology areas. We bave highly trained manpower in every area. Starting from agro-industry, tourism, light manufacture, textiles, heavy manufacture (of buses, trucks, construction machinery), petrochemicals, even electronics, we can easily compete in the world markets.

There is a liberal incentive system in operation today. Investors, in addition to the inherent advantages of a large market and a good labour force, also have many tax and export advantages.

Q: Turkey's external payments have enjoyed a remarkable recovery over the last few years, but it looks as if some degree of balance of payments support, probably in the form of loans from the commercial banks, will be necessary for the years to come. Can you say something about how much Turkey is likely to seek from the international money markets in 1986 and beyond? Is there any prospect of the current account balancing or showing a surplus in the medium term and sooner?

A: Turkey's balance of payments has improved steadily during the last six years. In fact, it should be remembered that, wben we needed deht reschedulings in 1980, everybody was doubtful of our ability to repay. Since then, exports have quadrupled and tourism earnings have quintupled. Making deht repayments now is a very easy task for the Turkish economy.

Turkey has also been undertaking a more intelligent borrowing strategy. With heavy emphasis on privatisation, this assures that no unfeasible project will be financed through foreign borrowing, which is also an assurance for the long-term deht repayment.

Many companles are preparing already to huild power stations using imported coal. Thus, prospect of current account halancing and showing a surplus in the medium term is not o distant possibility.

Q: Do yon foresee any scaling down of the present fairly high tariff harriers on many imports in 1986 or the following years?

A: The present liberalisation policy of Turkey is a self-imposed one. We aim to open up the Turkish economy to outside competition, and prepare for the aventual entry to the European Common Market. The scale of liberalisation is odjusted at o rate which the Turkish industry can stand.

There ore not many high tariff barriers in our import list. Each year, these harriers are hrought down by five to ten points, depending on whether it is a raw material or manufactured good.

Q: Many people in the outside world are surprised at the hard feelings which seem to exist between Turkey and the European Community. Do you feel that relations hava become so intractable over several areas (e.g. textile export restrictions or debates over human rights) that even if Turkey does not turn its back on the Community, as sections of the Turkish press have heen suggesting, an application for a full membership is hard to imagine?

A: Turkey is an associate member of the Community. Turkey aims to apply for full membership to the Community. Our country is the fastest growing market in the region. It is not hard to imagine that the Community would have many advantages joining with Turkey and in turn, Turkey would also benefit from entering the Community. The main difficulty between Turkey and the Community is the lack of dialogue. With improved dialogue, my belief is that the hard feelings between us would completely be removed.

Q: How do you see the human rights situation in Turkey today? Is there any change from a year or two ago? How do you regard some of the claims which are being made by opposition parliamentarians?

A: The main task of this Government is to restore and institutionalise democracy. We are very sensitive over the buman rights issue. The courts are independent, and they follow duly all cases of human rights violations. Any claim which is made, should first be taken to the Turkish courts.

If no action is produced or if any prejudicial decision is taken by the court, then the matter sbould be taken to the Parliament. The violators of human rights should first he handled hy the courts. Wa bave confidence that Turkish courts will behave justly in dealing out penalties to these violators.

Turkey has heen through a very tragic period of anarchy and terrorism. If another European country had gone through the same type of anarchy and terrorism, we would wonder what reactions would be prodnced in the public opinion of those countries. I watch with omazement a European country that is troubled by o terrorist group and treats the people of a certain nationality with utmost disregard for the law. I heard that people of that certain nationality could he deported from the capital of that country without any reason.

We also have to consider that this European country did not even experience one thousandth of the terrorism that Turkey had faced. So, the condition of

> ‘Healthy growth and low inflation will bring further prosperity.’

Turkey is right now exemplary considering what would have happened in a similar case in a European country. Enropean reaction to terrorism is much harsher than Turkey's as the examples have shown. In one other European country, the suicide rate of the terrorists in prisons was very high.

The duty of this Government is to heal the wounds inflicted in the period of anarchy and terrorism, preferahly to perform a plastic operation to remove the scar.

Q: Turkey does not seem to have received very much satisfaction from the Bulgarian Government after its protests that the large Turkish minority in that country is being harassed, forced to change its religious and cultural identity, and that some ethnic Turks may even have been murdered?

Is Turkey proposing to take further steps on this matter? Is it something which could affect your broader relations with the East Bloc countries?

A: First of all I should say that the prohlem which we have with Bulgaria emanating from the Bulgarian oppression of Turkish minority, has nothing to do with our broader relations with the Eastern Bloc countries. It is an isolated prohlem, unseen and unheerd of, until now. We have proposed to the Bulgarians to take np the issue hilaterally. So far they have refused this. Therefore, until they decide to negotiote this matter with Turkey, we are left no choice hut to take up this issue to international platforms.

Q: You have been suggesting that the clause of the Constitution (No. 84) which permits deputies to change from one party to another should be lifted temporarily? Why is this? Why are you in favour of doing this only temporarily? Surely you either have such restrictions or you do not?

A: As you know the Motherland Party, despite the opposition of the other parties in the Parliament, allowed the parties out of the Parliament to take part in the local elections. This was the best proof of our commitment to democracy.

The number of people left in Turkish prisons from the period of anarchy is around 10,000, considering that more than 5,000 peopla were killed and 20,000 wounded, this is a small number. In judging our situation, one should consider the painful events we went through. If the same things have happened in any other European country, indications show that their reactions would not have been different.

Q. Earlier this year, it was suggested that if Greece did not respond to the "Olive Branch" yon were offering, then Turkey might make various gestures (such as preventing Turkish cargoes from travelling on Greek ships) to show its disappointment. Are these measures still contemplated?

A. Turkish public opinion is greatly frustrated because of Greek indifference to Turkish gestures. The presence of tension between two countries is not helping the development of oither. In the long run the tension has to be decreased for the benefit of the two countries.

We hopa that the common sense of the Greek people will outweigh and see the advantage of forming a meaningful dialogua with Turkey. Our sincere wish is to develop good political, economic and cultural relations with Greece.

In foct, we changed the Election Law to let these parties enter the local elections. The November 6 1983 General Elections were not in our control, therefore, it was not in our power to allow parties other than those three, to take part in that election. But we feel that there is an uneasy situation because of some parties not being represented in Parliament. We want to remove this discomfort by allowing the outside parties to be represented.

Q—The Turkish Press has been talking of the dangers of an extremist religious revival. How do you view these claims?

A—Turkey is a secular state. Secularism is a state policy and a prized possession of the Turkish Repuhlic.

No force can harm the Secularism that has been institutionalised in this country aince the beginning of the Repuhlic.

Q—What role do you think economic relations with Jopan can have for Turkey? Are these in any sense an alternative to relotions with Europe?

A—Turkey is a rapidly developing market. Of course the countries who try harder will have a better chance of developing good relations. Turkey is the best partner in the region for any country to co-operate with. We see not only Japanese investment coming, hnr also an upsurge in European investment. We welcome all types of investment in Turkey by our European partners.

> ‘In terms of foreign investment, Turkey is the largest Middle Eastern market.’

Q—The next elections are dua in Turkey by 1988. What would you like to achieve between now and then? And is there any possibility of elections being held earlier than that?

A—As we have said, reducing inflation will be the primary target. By 1988, the housing sector will have a tremendous growth and total numbers of housing units completed will surpass 600,000. The goal is to approach 800,000 units by then.

There will be no village left without electricity. The second Bosphorus bridge will be completed. The water problem of hig cities will be totally solved.

The infrastructure of the metropolis especially that of the alums will be completed to a great extent. Employment generation, especially in Soutb and East Anatolia wil be reaching levels which will avoid further migration to the West. Growth rates will be over tha 7 per cent mark which will be a healthy sign of developing Turkey.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday November 4 1985

CREDITS AND EURONOTES

Soviet trade bank taps US domestic market for $400m

VNESHTORGBANK, the Soviet Foreign Trade Bank, has launched what bankers believe is its first bankers acceptance facility in the US domestic market, writes Peter Montagnon, Euromarkets Correspondent, in London. Led by First Chicago, the deal will allow the Soviet Union to raise up to $400m to finance grain purchases.

The deal is regarded as significant not only because it raises potential political questions among participating banks, but also because it involves the sale of paper through a tender panel, something East European borrowers have generally avoided.

Under the deal, Vneshtorgbank will have access to $200m in funds on a committed (or underwritten) basis as well as to a further $200m in bankers acceptance finance, to be issued through a tender panel on an uncommitted basis.

Bankers acceptances issued under the first tranche will bear a commission of ¼ per cent. There is also a commitment fee of ⅛ per cent, payable if unused commitments exceed $50m.

Vneshtorgbank hopes to assemble a group of participating banks with a strongly North American flavour to handle the facility. A portion of up to $50m may be underwritten by Canadian banks and will be available for the purchase of Canadian grain.

This is thought to be the first actual facility for Vneshtorgbank in the US acceptance market, although it has arranged deals with individual banks on a bilateral basis. Bankers say it testifies to the growing confidence of the Soviet Union over its credit rating in the international capital markets, where it has actively tapped the syndicated Euroloan market this year.

Bankers believe that, for political reasons, it would still be hard for the Soviet Union to tap the US money markets were it not for the need to finance grain purchases to which the operation is specifically tied.

The underlying trade needs may also justify the choice of the acceptance mechanism. Apart from Hungary, which recently launched its first Euronote facility, East European borrowers have shied away from mechanisms involving the sale of short-term paper out of concern that they might become vulnerable to any deterioration in East-West political relations.

Elsewhere, Barclays Merchant Bank is continuing its push for a higher profile in the note issuance market. Although there was no official confirmation on Friday, bankers say it is arranging a $200m, four-year facility for Royal Insurance of the UK. The deal will add to the company's range of financing options.

The deal, which carries an underwriting fee of 7.5 basis points, provides for the sale of Euronotes carrying a maximum yield of 10 basis points over Libor (London interbank offered rate for Eurodollar deposits). Alternatively, Royal can seek cash advances from its bankers at a maximum rate of 12.5 basis points over Libor.

If underwriters have to take up any of the paper offered, there will also be a utilisation fee of 2.5 points, or 5 points depending on the amount affected.

British Petroleum is expected to disclose today the results of its invitation to banks to bid for a part in a $6.5bn programme to restructure its short-term credit lines. Bids were due to have been submitted by last Friday and the company is thought to have found the results encouraging. They are expected to show that BP's influence in the marketplace has prevailed over the resentment of many banks at being asked to bid for business that will lose them their earnings on existing lines.

Also announced at the end of last week was a $500m Euro-commercial paper programme for Security Pacific Corporation of the US for which Credit Suisse First Boston has been appointed dealer. The City of Stockholm has launched a Euro-commercial paper programme for an unspecified amount with Enskilda Securities and PK Christiania Bank (UK) as dealers.

Norddeutsche Landesbank is in the market with a $50m, five-year revolving facility to back up the issue of commercial paper in the US, led by Union Bank of Switzerland (Securities).

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,225.4	—	1,908.3	438.0
Prev	1,738.2	—	324.8	129.6
Other	1,798.1	86.6	607.5	270.0
Prev	1,511.2	59.1	1,317.0	65.1
Secondary Market				
US$	14,480.1	926.1	15,718.5	1,943.0
Prev	11,449.8	1,087.4	12,115.3	1,929.8
Other	4,604.3	202.9	1,612.0	1,469.9
Prev	4,000.9	198.0	1,216.0	1,670.5

	Cedel	Euroclear	Total
US$	11,182.2	26,458.3	37,640.5
Prev	9,061.2	19,713.7	28,774.9
Other	6,004.2	4,847.2	10,851.4
Prev	5,136.7	4,901.2	10,037.9

Week to October 31 1985 Source: AIBD

EUROBONDS

Flood of deals meets limited demand

EUROBOND syndicate managers once again took a slight encouragement from the New York bond market to mean more than it did, writes Maggie Urry in London. And they got a slap in the face when most of the flood of fixed-rate deals that was launched met limited demand.

Some fared well: Canada's $500m 10-year issue, for example, which is destined to become a benchmark deal for its size and maturity. It was trading comfortably within its fees on Friday. Shell Oil was welcomed as a first-class name that should appeal to retail investors. BTR's convertible issues in dollars and Ecus were also well received.

But many of the other deals were too tightly priced and borrowers like GMAC and Chrysler have come to the market so often that they have worn out their welcome.

The issue for Xerox Credit Corporation, which was launched on Friday, was considered to offer far too low a margin over three-year US Treasury yields. Taking in fees of 1⁵/₁₆ per cent, a shade slimmer than the 1⅜ per cent normal for the maturity, the issue offers a spread of only 27 basis points over treasuries, while in the secondary market IBM three-year paper gives a spread of nearer 50 basis points. Lead manager Fuji International Finance expected to place the paper in Japan.

Morgan Stanley's persistence with its bond-with-warrants structure finally paid off last week when the warrants attached to the Coca-Cola deal traded around three times their $6¼ issue price. But the refinements to the structure which brought down the issue price on the warrants to a level where, traders said, they were issued too cheaply, left the bonds looking too dear.

The Eurodollar bond market lagged the New York market's rise last week so that the yield differential was widening again. And as one syndicate manager observed: "There's probably better value in the secondary market than the primary."

Action in the floating-rate note market has shifted across the Channel to the D-Mark sector, where five deals were launched from the new November calendar and the other four listed are expected this week. While in the Eurodollar market investors are beginning to get rather tired of capped floaters – which have a maximum coupon, even though these come in the coveted non-callable form – the buyers of D-Mark floaters have no qualms at accepting the cap. In return for the risk that rates will rise to the 8 per cent or so where the caps come into play, investors get a better rate of interest.

On Friday afternoon all five of the D-Mark deals, which totalled DM 1.45bn, were trading well within their commissions and two – Morgan Guaranty's and Industrial Bank of Japan's – were comfortably above par. Demand was seen to be coming from all quarters.

The Eurodollar floater market has seen some of the expected rush of US bank borrowers and so far seems to be coping. There are certainly many more in the pipeline. Savings and loans are also frequent issuers now and with the backing of US Government paper to give them AAA ratings they too are popular. Perpetuals are also in favour, with last week's deals going well.

It may be a while, though, before Merrill Lynch's annual coupon fixing, used for the first time in Europe last week for Northeast Savings, is seen again. The issue was increased by $25m on Friday and met good demand. But with the yield curve so flat at present there is little pick up for an investor funding short and matched funders are unlikely to want to tie themselves up for a year for slim pickings. However, the idea could come into its own if the yield curve steepens again.

The fixed rate D-Mark sector picked up towards the weekend, recouping most of the losses early in the week. Even so the size of the November calendar is daunting, although this month the amount of fixed-rate paper due at DM 3.165bn is less than the volume expected last month.

One straight deal has appeared so far, for Owens-Corning, which like Reynolds' deal of the previous week has a 15-year maturity. The length is still meeting some resistance in the market, although the bonds were trading within their 2½ per cent fees.

The oversupply of new paper in the Swiss franc market is weighing down prices, which were around ½ point lower on average last week. Some recent issues had poor debuts on the stock exchanges, trading well adrift of their issue prices. Other deals have had their yields slightly raised from the indications.

Chesebrough Pond's public issue launched on Friday was given a 5½ per cent coupon and 99½ issue price, showing a tendency towards higher yields.

The Swiss banks have found a formula for making convertibles look more attractive by giving a redemption value above par, so pushing up the redemption yield. Of course, most of these convertibles are switched into the companies' shares long before the maturity date.

A lone issue was launched in the Australian dollar sector, which has been severely battered by too much paper. The borrower's name is almost the most important factor in the success of an issue in this market and the idea behind Nationale Investingsbank's issue is that the borrower's base should be in the area where the investors live too.

Safety net launched for Munich bank

WEST GERMANY's co-operative banking system has launched a support action for the Munich-based Bayerische Raiffeisen-Zentralbank (BRZ), Reuter reports from Frankfurt.

Bankers estimate the safety net may have to be as large as DM 750m ($285.5m) which they believe would make it the biggest rescue in the co-operative banking sector's history.

The Munich bank, with a balance sheet total of DM 18bn, has DM 3bn in credits to the building sector, but these are all being re-examined, the bankers said.

The support action was confirmed by the DG Bank, the central clearing bank of the country's co-operative banking system.

Member banks had to support a series of bank failures last year and in January injected DM 495.2m into the Hammer Bank Spar-und-Darlehens Kasse in what until then had been its biggest rescue action.

BRZ is itself one of eight regional clearing banks for the co-operative sector and serves banks in the Munich area. It is the first time such a bank has had to be supported within the sector.

DG Bank said it and the regional co-operative central banks, "have decided to give the necessary support to the BRZ. This will not affect the ability of these eight banks to stock up their reserves nor will it mean a change in their dividend plans for 1985."

Bankers said the funds needed would probably be met partly by BRZ itself and partly by the seven banks working under DG Bank's lead.

BRZ, which had net profits of DM 86m in 1984, is expected to put up some DM 300m and could restate its last year's earnings to obtain an extraordinary tax credit.

One way DG Bank and the seven regional clearing banks in the support action could lessen the impact on their own earnings would be to provide the necessary funds in the form of guarantees, the bankers added.

The West Berlin-based Bank Supervisory Office has ordered a special audit of BRZ's credit business. An examination of about half its building loans has already identified the need for risk provisions of about DM 400m, the bankers said. The remainder is thought to be less endangered and could result in an extra DM 300m to DM 350m in provisions.

The West German building industry has been severely depressed, lagging the wider economic upturn. In addition, house and office prices have come under strong downward pressure, although Munich had been an exception until recently.

The eight banks decided on a direct support action rather than calling on the co-operative banking sector's deposit insurance scheme.

BHF Bank bond average

Nov 1		Previous
104.101		103.979
High	1985	Low
105.603		98.840

Pantry Pride in loss after restructuring

BY TERRY DODSWORTH IN NEW YORK

PANTRY PRIDE, the US supermarkets group which has just won a long takeover battle for Revlon, the cosmetics and health care concern, lost $7.8m in the year to August against net earnings of $9.9m, or 36 cents a share, in 1984.

Sales rose to $345.1m from just $8.33m and the results reflect a variety of special charges and changes in the company resulting from the disposal of a large slice of Pantry Pride's supermarket assets.

Prior-year figures have been restated to account for the discontinued supermarket activities, although the results for the latest year include the operations of Devon Stores and Adams Drug Stores, acquired in 1984.

In the final quarter of the year, losses amounted to $9.8m, after a loss on discontinued operations of $1.8m and an extraordinary gain of $478,000, while sales rose to $109m from $8m on the restated basis. In the same period of last year, net earnings came to $1.4m, or 4 cents a share.

Pantry Pride is being used by Mr Ronald Perelman, who bought control of the company earlier this year, as the vehicle for his $1.83bn bid for Revlon in a leveraged deal which depends heavily on borrowings.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Starkly more bullish longer-term perspective

THE FEDERAL RESERVE's policy-making Federal Open Market Committee (FOMC) meets tomorrow amid growing speculation that, although no immediate major easing is likely, it will eventually respond to the continued sluggish economy, subdued inflation, and other factors by cutting the discount rate from the current 7.5 per cent.

The immediate catalysts for this starkly more bullish longer-term market perspective were pre-Treasury auction comments by Mr Paul Volcker, the Fed chairman, and other Fed officials, re-evaluations of the state of the domestic economy, monetary growth and the implications of the central bank drive to push the dollar down, and renewed hopes of a break in the Congressional budget debate impasse.

In the U.S. money and credit markets these factors spurred a rally sending both short and long-term rates sharply lower and encouraging a healthy retail appetite for the Treasury auction issues.

Once again Mr Volcker kicked-off the rally by saying that the recent rapid growth in the US money supply does not point to higher inflation and adding that US interest rates remain very high "despite a relatively accommodative monetary policy."

Wall Street took the Fed chairman's comments to indicate that the Fed is not unduly concerned about M-1—which remains $15.5bn over target following the larger than expected $8.5bn jump reported last week—and as a clear signal that the monetary authorities retain a bias towards easing.

In the meantime actions by West German and Japanese monetary authorities to raise short-term rates led to widespread foreign exchange market speculation that the September G-5 meeting included an understanding on interest rate policies. While Fed and other officials were quick to deny the existence of a formal agreement, the US markets remain convinced that co-ordinated foreign exchange market intervention is being supplemented by at least limited interest rate manipulation.

Last week's auctions also helped ease market concerns that the recent sharp slide in the U.S. currency—now standing at a 4½-year low against the yen and a 16-month low against the D-Mark—would deter foreign, particularly Japanese, investors. Although Japanese participation in the auctions was said to be luke-warm it was still evident.

Last week's auctions went well. Bids for the four-year notes totalled five times the $6.78bn on offer and produced an average yield of 9.47 per cent, the $6.2bn of seven-year notes sold at an average yield of 9.75 per cent, and the $4.76bn of 20-year bonds produced an average yield of 10.47 per cent.

Now the market is bracing for the next round—an expected $22.5bn quarterly refunding package of three-year, 10-year and 30-year securities expected to be offered for sale in the next 10 days. Meanwhile Congress edged towards a possible resolution of the budget and debt ceiling impasse. Late on Friday the House passed a version of the Gramm-Rudman balanced budget amendment throwing the issue back to the Senate. But the Treasury—on the brink of running out of money—said it would go ahead anyway with a plan to disinvest social security funds to make way for the new auctions.

But what the credit markets proved again last week is that market expectations about Fed policy remain the key to market performance, prices, rates and yields.

Despite a sticky Fed funds rate, and repeated liquidity draining moves by the Fed early in the week to correct technical and seasonal imbalances, short-term US money market rates fell by between 10 and 30 basis points over the week.

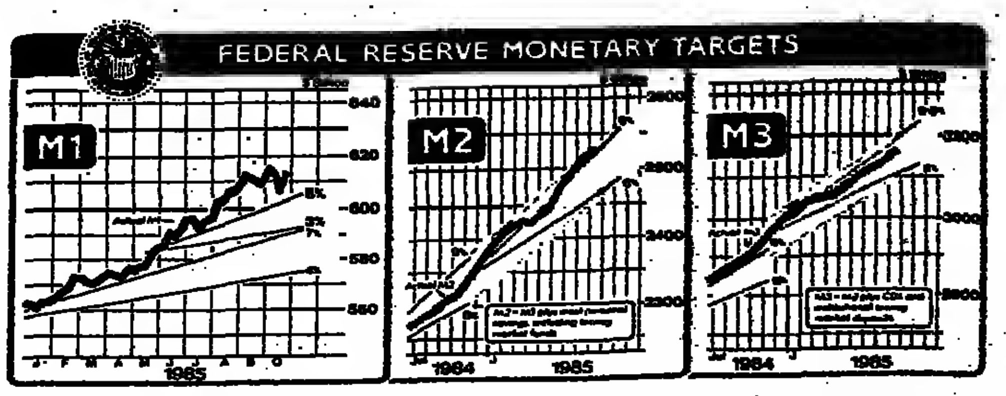
U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.97	8.21	8.14	8.55	7.10
Three-month Treasury bills	7.20	7.23	7.44	8.85	6.67
Six-month Treasury bills	7.30	7.42	7.35	9.20	6.81
Three-month prime CDs	7.80	7.98	7.93	8.50	7.33
30-day Commercial Paper	7.80	7.85	7.70	9.50	8.95
90-day Commercial Paper	7.70	7.80	7.70	9.60	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	99⅞	(new)	9.78	(new)	(new)
20-year Treasury	103	+ 2	10.38	10.62	10.79
30-year Treasury	103¾	+ 2¼	10.22	10.46	10.63
New 10-year "A" Financial	n/a	+ 1¾	10.65	10.88	11.06
New "AA" Long utility	n/a	+ 2¼	11.25	11.50	11.75
New "AA" Long industrial	n/a	+ 1¾	11.25	11.45	11.63

Source: Salomon Bros (estimates).
Money Supply: In the week ended October 21 M1 rose by $8.5bn to $613.6bn.



In the credit markets, Treasury issues gained up to 2½ points and the yield on the 30-year Treasury long bond dropped to 10.22 per cent, down 23 basis points and back to mid-summer levels. As a result the Treasury yield curve continued to flatten markedly, indicating reduced market concern about upward interest rate pressures.

This improved outlook is now widely apparent in the comments of senior market economists. While few Wall Street senior economists expect an easing by the Fed soon, most are now looking for a lower funds rate, and perhaps a discount rate cut by early 1986.

In the credit markets the pace of corporate new issues has also slowed markedly since earlier this year. According to First Boston figures, fixed-income issues are now level-pegging those of last year at $72bn in the year to date.

Nevertheless the sharp rally in the US markets last week provided an unexpected domestic opportunity and triggered a flood of new issues totalling about $2.9bn, again mostly of medium-term paper. While this produced some signs of indigestion and slowed the rally in the corporate market, most actively traded issues closed the week up by about 1¼ points.

Paul Taylor

UK GILTS

Doubts remain over Mansion House speech

AFTER A sharp fall on Monday, a gentle recovery in gilts pushed Japan's bond market troubles into the background last week. That left the London market where it had been before: pondering the implications of the Chancellor of the Exchequer's Mansion House speech.

On the face of it, there was encouragement from Mr Lawson's confirmation that the public sector borrowing requirement (PSBR) would not be "over-funded" to rein in growth of the £M-3 money aggregate. Economists at Hoare Govett, for example, are forecasting higher gilt prices on the grounds that, with a 1985-86 PSBR projected by them at £8.7bn, net gilt sales between now and March will be running at only £56m per month.

Nagging doubts remained, however, about the manner in which the newly streamlined monetary policy, at least temporarily unencumbered by a £M-3 target, would actually be implemented. If £M-3 would no longer be a criterion for monetary action, would the chosen alternatives — the narrow MO aggregate and the level of sterling—be adequate? For how long would the market be able to ignore persistent growth in £M-3?

Mr Peter Fellner of James Capel said: "The problem with monetary policy is not so much doubts as to the Government's ultimate commitment to combating inflation, but rather the increasingly vague nature of its formulation."

Analysts do not dispute the Chancellor's reasoning that £M-3 had been pushed above its target range by structural changes in the economy. They nevertheless see it as a leading indicator of inflationary pressures, and suggest that in forsaking overfunding, the government has given up a useful way to soak up money supply growth.

Instead, the Treasury has turned to MO, which consists largely of notes and coin in circulation. MO is within its target range. But it is in any case seen as a poor and lagging indicator. By responding to a rise in MO or in retail price inflation itself, the Chancellor could already have missed the anti-inflation boat.

A test of whether the market will accept Mr Lawson's treatment of the aggregates could come as early as tomorrow, when monthly money supply figures are due. MO is expected to show no change or a slight fall, and £M-3 to grow by about 1 per cent. For the moment, however, monthly figures seem unlikely to cause any tremors.

The Chancellor is thus seen as being governed firmly by the external influences which affect the pound. Mr Malcolm Roberts, of Laing and Cruickshank, argues: "When the crunch comes, interest rates are bound to respond to the exchange rate rather than MO. . . In effect, monetary policy will now be steered by the exchange rate, just as in the 1950s and 1960s."

The Chancellor thus seems to have tied his hands further by making it essential to be seen to be keeping up the pound. Failure to push up short-term rates quickly in response to a sterling decline caused by whatever extraneous influence could lead the market to doubt his anti-inflationary resolve—particularly in the self-imposed absence of other instruments with which to prove it. Then, worries about £M-3 growth could come to the fore.

If the markets are prepared to put up the next few months with a policy described by Phillips and Drew as "Muddling Through with Firm Sterling," they will at least be watching closely for the manner in which £M-3 is treated in the next Budget. Mr Lawson has said he will set a new target. He could attempt to identify the proportion of £M-3 growth caused by distortion, and set an underlying target in a similar manner to the Federal Reserve.

With long prices down about ½ points on the week, shorts virtually unchanged and a few mediums edging firmer, the market—no doubt to Mr Lawson's delight—is for the moment paying little attention to doom-saying analysts. A half-point cut in base rates at some point in the coming weeks is discounted into prices. The US bond market's performance appeared to be making it more likely as the week ended.

Alexander Nicoll

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¼ 94	100	105⅛	+0⅛	10.75
AIOC 11 89	75	103½	+0⅛	9.79
AIDC 11⅞ 00	100	101½	+0⅛	11.37
Amer Savings 12 99	125	103¾	+0⅛	10.80
Amer Savings 12¾ 89	100	103⅞	+0¼	10.90
Asian Dev Bk 11¾ 93	100	105½	+0⅛	10.88
Australia 11¾ 00	100	106⅝	+0⅛	9.64
Australia 11½ 95	300	107½	+0⅛	10.26
Australia 11¼ 98	100	100½	+0¼	10.40
Austria 15½ 88	75	111⅞	+0½	8.59
Avco Fin 13¾ 91	100	107⅝	0	11.43
Bk Nova Scotia 13¾ 87	100	106⅛	+0⅛	8.48
Bank of Tokyo 12¾ 92	100	108	+0⅞	10.97
Bank of Tokyo 13⅜ 91	100	113¼	+0⅛	10.38
Bank of Tokyo 13⅞ 89	100	111⅛	+0⅛	10.09
Bergen Bank 11½ 90	75	101⅛	0	11.01
BP Capital 11⅛ 92	150	103⅛	+0⅛	10.29
Br Col Hydro 11⅛ 93	200	107⅛	+0⅛	10.38
Br Col Hydro 12½ 14	200	110⅞	+1⅞	11.53
Br Col Hydro 12⅞ 13	250	110⅛	+1⅛	11.54
Britoil Fin 11⅞ 90	125	104⅛	+0⅛	10.66
Caisse Nat En 11¾ 95	125	108⅛	+0⅛	10.62
Canada 10⅞ 89	500	104¼	+0⅛	9.18
Casio Computer 5⅞ 99	80	143	−10	−5.40
CBS Inc 11⅛ 92	100	103¾	+0⅛	10.99
Centrust S & L 0 10	1bn	6⅛	+0⅛	11.74
Chesebrough 12 93	100	102¾	+0⅛	11.40
Chrysler Fin 13¾ 88	150	107	+0⅞	11.94
Citicorp O/S 10⅛ 90	100	100⅛	+0⅛	10.12
Citicorp O/S 11⅛ 00	100	104	+0⅛	10.65
Citicorp 11¾ 92	100	103⅛	+0⅛	10.89
Citicorp 11⅛ 97	200	102½	+0⅛	11.33
Citicorp O/S 14 94	100	103⅛	0	13.31
CNCA 11½ 92	125	104	0	10.58
CNCA 13⅛ 91	100	111⅛	+0½	10.42
Coastfed Int 12⅛ 88	125	103⅛	+0⅛	10.38
Coca-Cola 11⅛ 88	100	105⅞	+0⅛	8.37
Comp Seacaire 13⅞ 00	75	110½	+0⅛	10.81
Comeat Ire 12¾ 91	100	104½	0	11.07
Creditanstalt 13⅝ 91	100	109⅞	+0⅛	10.64
Dai-Ichi Kangyo 12¾ 90	100	106⅛	+0⅛	10.43
Denmark 10⅞ 90	100	100⅛	+0¼	10.80
Denmark 11½ 92	100	104	+0½	10.58
Denmark 12¾ 92	250	101⅛	+0⅛	12.33
Denmark 13 92	100	101⅛	+0⅛	12.52
Denmark 13¾ 91	100	111⅛	+1	10.56
Denmark 13⅞ 88	100	109	+0½	9.97
Denmark 14 91	100	109⅛	0	11.62
Digital Equip 11⅛ 89	150	104⅛	+0⅛	8.97
Dutch St Mines 11⅛ 91	100	102⅛	0	10.67
Eksportfinans 11⅛ 92	100	103½	+0⅛	10.44
Eksportfinans 11⅛ 90	100	104⅛	+0⅛	10.27
Elec de France 11⅛ 93	100	103⅛	+0⅛	10.40
Elec de France 12¾ 87	150	106⅛	+0⅛	8.23
EEC 11 87	350	102½	+0⅛	9.28
EEC 11⅛ 90	100	103⅛	+0⅛	8.97
EEC 12 93	100	108⅛	+0⅛	10.41
Elf-Aquitaine 10¾ 89	100	101⅛	+0⅛	10.25
Ericsson L M 10¾ 88	100	100½	0	10.07
Euro Inv Bk 11⅛ 90	200	105⅛	+0⅛	10.09
Euro Inv Bk 11⅛ 91	73	102⅞	+0⅛	10.85
Euro Inv Bk 12½ 90	100	109	+0⅛	8.88
EDC 9⅞ 88	200	101⅛	+0⅛	9.46
EDC 10 88	125	101⅛	+0⅛	8.28
EDC 10¾ 88	100	102⅞	+0⅛	9.27
EDC 11⅛ 88	150	103⅞	+0⅛	8.86
EDC 12 89	100	107⅛	+0⅛	9.76
EDC 13¾ 87	100	108⅛	0	9.22
Fed Dept Store 11 90	100	103⅛	+0½	10.00
Finland 11½ 88	100	104	+0¼	8.37
Finland 12¾ 94	75	109	+0⅛	10.65
Finnish Export 12¾ 87	75	105⅞	+0⅛	9.39
Firstfed Mich 1 12¾ 89	125	106⅛	+0⅛	10.92
Florida Fed 12⅛ 89	100	103½	+0⅛	11.07
FNMA 11½ 81	300	103	+0⅛	10.79
Gen Elec Cred 0 96	600	34⅛	+0⅞	10.43
Gen Elec Cred 9⅞ 91	100	100⅛	+0½	9.70
Gen Elec Cred 10¾ 90	200	101¼	+0⅛	10.19
Gen Elec Cred 11 91	200	103⅞	0	9.99
Gen Elec Cred 11⅛ 87	200	103¾	0	10.96
Gen Elec Cred 12 94	200	106⅛	+0⅛	10.91
Gen Foods Cap 11⅛ 00	75	104¼	+0½	10.23
General Mills 12 91	100	104⅛	+0⅛	10.88
GMAC 10 88	200	101⅛	0	9.33
Gen Motors Acc 10⅞ 90	200	102⅛	+0⅛	9.84
Gen Motors Acc 11⅛ 90	100	104¼	+0¼	10.22
Gen Motors Acc 13 88	200	103⅛	+0⅛	7.81
GTE Finance 12 96	75	101⅞	+0⅛	11.65
Gulf Oil 10¾ 94	100	98⅞	−0⅞	10.44
GZB 14 91	100	112⅛	+0⅞	10.89
Holl Air Fin 12¾ 91	100	104⅛	+0⅛	11.11
Household Fin 11⅛ 92	100	103	+0⅛	10.91
IBM 9⅞ 88	200	100⅛	+0⅛	9.55
IBM (WTC) 10⅛ 88	300	102	0	10.09
IBM Credit 11 89	100	103⅛	+0⅛	8.87
IBM Credit 13⅞ 87	100	101⅞	0	13.46
IBM 12¾ 92	200	108⅛	+0⅛	10.40
Ind Bk Japan 10⅛ 92	100	102	0	10.28
Ind Bk Japan 10⅞ 95	100	103	−0½	10.51
Ind Bk Japan 11½ 89	125	104⅛	+0⅛	9.76
Ind Bk Japan 11⅛ 81	100	107⅛	+0⅛	10.23
Ind Bk Japan 13⅞ 91	125	114⅛	+4⅛	10.41
Int-Amer Dev 12¾ 91	150	109⅛	+0⅛	10.81
Int-Amer Dev 11⅛ 94	200	105⅛	−0⅞	10.90
Int Paper 12 91	75	104¼	+0⅛	10.88
Int Stand Elec 0 87	112	27⅛	+0⅛	12.18
Int Stand Elec 12 96	75	102⅞	+0⅛	11.32
ITT 11⅛ 89	125	107⅛	+2⅛	8.27
ITT Fin 12½ 94	100	105⅛	−0⅛	11.32
Japan Airlines 12½ 94	70	109⅞	+1	10.66
Japan Dev Bk 11⅛ 91	100	107⅛	+3⅛	10.21
Kellogg Co 10⅛ 90	100	103⅛	+0⅛	8.90
Kellogg Co 11⅛ 92	100	104⅛	+0⅛	10.24
Kimberley-Clark 12 94	100	108⅛	+0⅛	10.47
Kyowa Fin HK 12⅞ 90	100	107⅛	−0½	10.73
Long Term Cred 10⅛ 90	100	102	+0⅛	10.15
Long Term Cred 11 90	100	102⅛	+0⅛	10.19
Long Term Cred 11⅞ 89	100	105⅛	+0⅛	8.90
Long Term Cred 12 90	75	107	0	8.93
Long Term Cred 12 93	100	107⅛	+0⅞	10.52
Macy R H 11⅛ 91	100	101⅛	−1⅛	11.28
Macy R H 11⅛ 95	100	101⅛	−0½	11.41
Marubeni 11⅛ 81	100	101⅛	0	10.98
McDonalds Fin 11⅛ 94	75	103⅛	+0⅛	10.89
Merrill Lynch 12⅛ 94	100	103½	+0⅛	11.84
Minebea 6⅛ 89	100	147⅛	+2	−9.18
Mitsubishi 5⅛ 88	100	119⅛	−6⅛	−0.49
Mitsubishi Cp 10⅛ 92	100	100⅞	+0⅛	10.28
Mitsubishi Co 10⅛ 95	200	100	+1	10.61
Mitsubishi Cp 12½ 81	100	110⅛	+0⅛	9.99
Mitsui Eng 7⅛ 88	90	102¼	0	9.40
Mitsui Fin 12¾ 92	100	101⅛	0	11.92
Mitsui Tat Fin 12 91	100	105⅞	+0⅛	10.46
Mobil Corp 10¾ 90	200	100⅛	+0⅛	10.04
Montreal City 12½ 91	70	106⅛	−0⅛	10.84
Mgn Guaranty 12¾ 89	100	106⅛	+0⅛	9.94
Morgan J P 11⅛ 92	100	103¾	+0⅛	10.49
Mount Isa Fin 13⅛ 87	100	100⅛	0	8.84
Ned Gasunie 11⅛ 90	75	103⅛	0	10.22
Ned Gasunie 11⅛ 81	79	103⅞	0	10.24
N Eng Lf Mtg 11⅛ 98	149	105½	+0½	10.78
Newfoundland 13 91	75	107½	−0⅛	11.06
Nippon Crd Bk 13⅛ 88	100	110⅛	+0⅛	10.18
Nippon Tel Tel 11⅛ 90	100	105⅞	+0⅛	9.81
Nippon Tel Tel 13⅞ 94	150	173	0	10.59
Nissho-Iwai 6½ 88	70	100⅛	−7⅛	9.27
Nomura 6⅛ 88	100	159⅛	−12	−8.71
Nova Scotia 11⅛ 81	100	104½	−0⅛	10.65
Nova Scotia 11⅛ 98	100	104⅛	−0⅛	11.06
Oester Post 12⅛ 89	75	106⅛	+0⅛	10.02
Ohbayashi-Gumi 7⅛ 89	00	158⅛	+3	−6.79
Ontario Hydro 11⅛ 94	200	109⅛	+0⅛	10.35
Ontario Hydro 11⅛ 90	200	106⅛	+0⅛	9.87
Ontario 12½ 94	250	111½	+0⅛	10.98
Pacific Gas & El 12 00	75	104⅛	+0⅛	11.30
Penney J C 11⅞ 90	100	106⅛	+1	10.48
Penney J C 12⅛ 91	100	108⅛	+1	10.75
Philips Petrol 14 89	200	103⅛	−0⅛	12.71
Postipankl 11⅛ 90	75	102½	+0⅛	10.36
Post-Och Kred 13½ 87	50	100⅛	0	9.46
Privatbanken 12⅛ 98	100	0		
Prudential Ins 12⅛ 87	150	105⅞	−0⅛	9.31
Pru Rlty Secs 0 99	365	25	+0½	11.07
Pru Rlty Secs 11⅞ 92	386	105⅛	+0⅛	10.28
Pru Rlty Secs 12⅛ 95	546	107⅛	+0⅛	10.79
Quebec Prov 12⅛ 94	150	105⅛	+0⅛	11.06
Queensland Gvt 11⅛ 88	100	104⅛	+0⅛	10.01
RBC 12⅛ 90	100	0		

US DOLLAR STRAIGHTS (continued)	Issued	Price	Chg. on week	Yield
Rural 8½ Aust 12 91	90	104⅛	+0⅛	10.87
Sanwa Bk 11½ 92	190	104⅞	+0⅛	10.59
Saskatchewan 10¾ 92	100	101⅛	0	10.31
Saskatchewan 10¾ 90	125	102⅞	−0⅞	8.87
Saskatchewan 11⅛ 89	100	106⅛	0	8.88
Saskatchewan 15 92	190	120⅛	+0⅛	10.59
Saskatchewan 10 89	125	116¾	0	10.02
Scot Intl Fin 14⅛ 96	50	112¾	+1	12.03
Sears O/S Fin 0 88	500	26⅛	+0⅞	11.03
Sears Roebuck 10¼ 91	150	102⅛	+0⅛	9.97
Sears Roebuck 11¼ 91	150	106	+0⅛	10.07
Sec Pacific 12 92	100	100⅛	+0⅛	10.54
Shearson/Amex 12¾ 94	100	104⅛	−0⅛	11.26
Shell (Canada) 14¼ 92	125	112½	0	11.51
Signal Comps 11¾ 92	125	104⅛	+0⅛	10.79
Standard Oil 10½ 99	150	101⅞	+0⅛	9.85
Statoil 12 88	100	105⅝	+0⅛	8.27
Sumitomo Corp 10¾ 93	100	100	+0⅛	10.98
Sumitomo Fin 11¾ 92	150	100⅞	+0⅛	10.56
Sumitomo Fin 12¾ 91	190	108⅛	−0⅛	10.65
Sumitomo Trust 12½ 92	100	100⅛	−0⅛	11.01
Sweden 11⅛ 89	200	105⅛	+0½	8.91
Sweden 12⅛ 89	200	107⅛	+0⅛	9.81
Swedish Export 10⅞ 88	100	102⅛	+0⅛	10.29
Swedish Export 11⅛ 99	100	104⅛	+0⅛	5.87
Swedish Export 12¾ 88	100	0		
Taiyo Kobe 11⅞ 90	100	104¾	+0⅛	10.45
Taiyo Kobe 12 90	100	105⅛	+0⅛	10.48
Tenneco Corp 11⅛ 99	150	103⅛	+0⅛	10.00
Texaco Capital 10¾ 90	200	101	+0⅛	10.23
Texaco Capital 10¾ 93	200	101⅛	0	10.17
Texaco Capital 13⅛ 89	200	109⅛	+0⅛	10.36
Texas Instro 11⅞ 91	150	100⅛	0	10.86
Tokai Asia 12¾ 91	100	108	+0⅛	10.97
Tokyo Electric 6½ 99	70	99	−2⅞	6.82
Tokyo Elec Pt 13⅛ 89	100	108⅛	+1⅛	10.59
Toray Inds 11⅛ 92	50	101	+0½	10.87
Toronto-Dom 12½ 88	50	105⅛	0	10.60
UBS 12¾ 81	100	106	+0⅛	10.73
Utd Tech 11⅛ 92	150	100⅛	+0⅛	10.41
Veba 8 92	70	103½	+6½	−1.58
West LB 11⅞ 90	100	104⅛	+1½	10.61
Westpac 12½ 92	41	106⅞	−0⅛	11.05
Weyerhaeuser 11⅛ 90	50	102	+0⅛	10.96
World Bank 11 92	300	103⅛	+0½	10.22
World Bank 11⅛ 90	200	104⅛	+0⅛	9.99
World Bank 11⅛ 89	200	104⅛	+0⅛	9.70
World Bank 12 93	200	108⅛	+0½	10.37
World Bank 12⅛ 94	150	109⅛	+0⅛	10.58
World Bank 12⅞ 94	200	112⅛	+0⅛	10.57
Yasuda Trust 12⅛ 89	106	106⅛	+0⅛	10.08

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Africa Dev Bk ⅛ 95	100	100⅛	+0⅛	8⅛
Arab Bank Corp ⅛ 96	100	100⅞	+0⅛	8 11/16
Banca Lavoro ⅛ 91	100	100⅛	+0½	8 3/16
Banco di Roma 3/16 88	150	100	+0⅛	7 11/16
Banco di Roma 3/16 92 CU	75	99¾	0	10⅝
Bankers Tr NY ⅛ 94	200	100⅛	−0⅛	8 3/16
Bank of Greece ⅛ 94	150	98⅞	0	8⅝
Bank Montreal ½ 94 £	100	100⅛	−0⅛	11⅛
Bqe Nat Paris ⅛ 88	400	101⅞	−0⅛	8½
Bqe Nat Paris ½ 85	250	100⅛	+0⅛	8 11/16
Bqe Nat Paris ⅛ 98	250	100	0	8⅛
Barclays O/S ⅛†	600	100⅛	−0⅛	9¼
BBL ¼ 95	100	100⅛	0	8 5/16
BBL ⅛ 99	100	100⅛	+0⅛	8 5/16
BCI ½ 96	300	100	0	8⅝
BFCE ⅛ 88	500	100	0	8⅛
BFCE ⅛ 99	600	100⅛	0	8⅛
Belgium 1/16 04	400	101	+0⅛	9⅛
CCCE ⅛ 05	200	100⅛	0	8 5/16
CEPME ⅛ 96 £	100	100⅛	0	11 7/16
Chase Manhattan ⅛ 09	400	100	0	8 7/16
Chemical NY 1/16 99	300	101	+0⅛	7 15/16
Citicorp O/S ⅛ 91 £	100	99¾	0	11 7/16
Citicorp Pan Pcn ⅛ 97	250	100⅛	0	8⅛
Caisse Nat Tel ⅛ 85	275	100⅛	−0⅛	8⅛
Commerzbank ⅛ 89	150	100⅛	0	8⅛
Creditanstalt 1/16 98	150	100⅛	0	8⅛
Credit Comm ⅛ 95	100	100⅛	0	8⅛
Credit Foncier ⅛ 00 £	100	100⅛	+0⅛	11⅛
Credit Lyonnais ⅛ 96	300	100⅛	0	8 5/16
Credit Lyonnais ⅛ 99	250	100⅛	+0⅛	8⅛
Credit National ⅛ 95 £	100	100⅛	0	11 11/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8 11/16
Denmark ⅛ 90	250	100	−0⅛	8 5/16
Denmark 0 99	200	99¾	0	8⅛
Denmark 1/16 90	500	100⅛	+0⅛	8 7/16
Eldorado Nuka 0 99	100	100⅛	0	8½
Elec de France ⅛ 99	400	100⅞	−0⅛	8 7/16
ENEL ⅛ 93 £	100	100½	0	11½
Exterior Int ⅛ 96	125	99¾	0	7⅞
Ferro del Stat ⅛ 88	100	100⅛	0	8⅛
Ferro del Stat ⅛ 99	250	100⅛	0	8 7/16
Fiat Finance ⅛ 94	100	100⅛	+0⅛	8⅛
First Chicago ⅛ 94	100	100	0	8 5/16
First Chicago 1/16 97	150	99⅞	0	8 7/16
Ford Motor Cr ⅛ 91	200	100⅛	+0⅛	8 13/16
GW O/S Fin ⅛ 94	100	99½	+0⅛	8⅛
Grindlays ⅛ 94	100	100½	0	8⅛
INI 1/16 00	150	.0		
Interfirst Tex ⅛ 83	100	100	+2⅞	8⅛
Ireland ⅛ 93 £	50	100⅛	−0⅛	12 11/16
Ireland 1/16 94	300	100⅛	0	0 3/16
Ireland ⅛ 96 E	100	100⅛	−0⅛	12⅛
Ireland ⅛ 97	300	100⅛	0	8 7/16
Ireland 1/16 99	300	100⅛	0	0 11/16
Italy ⅛ 94	1bn	100½	+0⅛	0⅛
Italy ⅛ 99	500	100⅛	0	8⅛
Kleinwort Benson ⅛ 96	100	100⅛	0	9⅛
Korea Exch Bk ⅛ 94 £	100	97⅞	−1⅛	12
Lincoln S & L ⅛ 99	100	99⅞	0	8⅛
Malaysia ⅛ 93	850	100	−0⅛	8½
Malaysia ⅛ 94	600	100	+0⅛	7 11/16
Man Hanover ⅛ 94 E	75	98⅛	0	11⅛
Marine Midland ⅛ 94	125	100⅛	0	8 7/16
Marine Midland ⅛ 96	125	100	0	8 3/16
Marine Midland 3/16 09	150	100	−0⅛	8
Mellon Bank ⅛ 96	250	100⅛	0	8 7/16
Midland Intl ⅛ 99	200	100⅛	0	8 7/16
Mitsui Fin ⅛ 96	100	100⅛	0	8 5/16
Morgan Grenfell ⅛ 94	50	99⅛	0	8 3/16
Mtg Intermed ⅛ 10 E	50	100⅛	0	12
Nat Bank Canada ⅛ 81	50	100⅛	0	0⅛
Natl Bank Detr ⅛ 96	100	0		
Nat West Fin ⅛†	500	100⅛	−0⅛	9½
Neste Oy ⅛ 94	100	100½	0	8 5/16
New Zealand ⅛ 87	250	100⅛	0	8½
NZ Steel Corp ⅛ 92	300	100⅛	0	9½
Oster Ln Bank ⅛ 99	100	100	0	8 3/16
Oko Bank ⅛ 92	50	99⅛	0	8 11/16
Portugal ⅛ 92	100	100	0	8⅛
Queensland Cnel ⅛ 96	355	100⅛	0	8
Renfe ⅛ 81	100	100⅛	+0⅛	8 5/16
Sanwa Intl Fin ⅛ 92	150	100	0	8 5/16
SEAT ⅛ 93	100	100½	+0⅛	8 3/16
Security Pac 1/16 87	250	99⅞	0	8 5/16
Skopbank ⅛ 94	78	0		
SNCF ⅛ 93 £	75	100⅛	0	11⅞
Soc Generale ⅛ 90	250	100⅛	+0⅛	8½
Soc Generale ⅛ 94	250	100⅛	−0⅛	8 11/16
Spain ⅛ 88	200	100⅛	0	8 3/16
Spain ⅛ 97	250	100⅛	0	8⅛
Standard Chart ⅛ 94	200	100⅛	0	8⅛
Sumitomo Trust ⅛ 94	100	100⅛	0	8 7/16
Sweden ⅛ 99	500	99⅞	−0⅛	9½
Sweden ⅛ 85	1bn	100⅛	0	8⅛
Sweden 0 90	700	99¾	+0⅛	7 15/16
Sweden ⅛ 24	500	100⅛	−0⅛	9 7/16
Sweden ⅛†	750	100	0	9 5/16
Tokai Asia ⅛ 98	150	100⅛	0	8⅛
Toyo Trust Asia ⅛ 99	100	100⅛	0	8
TVO Power ⅛ 04	100	0		
Union Bank-Norw ⅛ 96	50	0		
United Kingdom 0 92	2.5bn	99⅞	0	8 3/16
Wells Fargo 1/16 96	00	99⅞	−0⅛	8 5/16
World Bank 3/32 94	250	99⅞	−0⅛	7 15/16
Yorkshire Int ⅛ 94 £	75	100⅛	+0⅛	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 98	120	126⅛	−1⅛	
Best Denki 5⅞ 87	15	181½	−1⅛	−3.48
Canon 7 97	50	225	−5⅛	−3.76
Daiwa Secs 5½ 96	60	226	+4½	6.06
Dev Bank Sing 5½ 98	70	74	+6	2.39
Elders 11⅛ 94	160	109⅛	−2⅛	19.44
Elektrowatt 5 98	52	120⅛	−1⅛	−3.46
Fujitsu 3 96	180	92⅛	−3½	2.96
Intec Inc 3 00	50	70	−1	−9.44
Kumagai Gumi 3⅛ 00	80	173¼	+10⅞	3.66
LASMO 9¾ 99	44	97	−0⅛	24.22
Moet-Hennessy 7 99	50	118	+0⅛	−0.06
Murata Mfg 3⅛ 00	100	109⅛	+4	−1.28
Nippon Oil 3¼ 99	50	81⅛	−0⅛	5.34
Ono Pharm 3⅛ 98	00	92⅛	+0⅛	−3.04
Soc Gen Surv 4⅛ 94	51	137½	+4⅛	111.62
Sumitomo Corp 2⅞ 99	70	133⅛	−2	−0.42
Texaco Capital 11⅛ 94	1bn	106⅛	+1⅛	38.03
Texaco Capital 11⅛ 94	500	107	+0⅞	
Tsunami Corp 3¼ 00	20	0		
Yamaichi Sec 3⅛ 93	30	161	+8½	−1.88

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	101⅛	+0⅛	7.10
Avon Products 6⅛ 91	26	98⅛	+0⅛	7.03
Denmark 6⅛ 92	20	98⅛	−0⅛	7.00
Dow Chemical 7 94	50	100	+0⅛	7.00
EDF 6⅞ 95	20	99⅞	−0⅛	6.89
Eurofima 7⅛ 94	10	101⅛	+1	7.08
Eurofima 5⅞ 92	10	99	−1⅛	6.93
FNMA 5⅞ 92	60	99⅛	+0⅛	6.94
GMAC 6⅛ 00	25	99⅛	−0⅛	6.66
Intel 6⅛ 92	13	96⅛	+0½	7.28
Int-Amer Dev 7½ 94	15	101⅛	+0⅛	7.22
Int-Amer Dev 7⅞ 93	18	102⅛	+0⅛	7.45
ITT 6⅛ 92	20	98⅛	+0⅛	7.02
McDonald Corp 6½ 92	25	99	+0½	6.70
New Zealand 7⅛ 90	15	100⅛	+0⅛	6.91
New Zealand 7⅛ 89	15	102	−0⅛	1.61
Pacific Gas & El 7 94	20	100	−0⅛	7.00
Penny J C 6⅛ 92	25	99	+0⅛	6.94
Proctor 6⅛ 92	25	99½	−0⅛	6.72
Sallie Mae 6⅞ 92	25	98⅛	+0⅛	6.87
TRW 7 94	15	100	0	7.00
Utd Technology 8⅛ 92	25	99⅛	+0½	8.77
World Bank 7 94	20	101⅞	+0⅛	6.81
World Bank 7⅛ 93	20	103½	−1	7.04
World Bank 8 93	20	104⅛	−0⅛	7.16

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 89	600	103	+0⅛	8.84
Eurofima 10 94	600	104	−0⅛	9.32
E Coal & Steel 10⅛ 94	1bn	105½	−0⅛	9.30
Euro Invest Bk 10⅛ 94	1bn	106⅛	+0½	9.31
World Bank 10⅛ 89	1bn	104	0	8.88

GUILDER STRAIGHTS	Issued	Price	Chg on week	Yield
ABN 8 89	200	105⅛	−0⅛	6.09
ABN 7⅛ 89	150	105⅛	0	6.05
Amro Bk 7⅛ 89	150	103	−0⅛	6.39
Amro Bk 8 99	200	104½	−1	6.45
Bk Mees & Hope 8⅛ 99	100	105⅛	−0⅛	6.28
Beatrice Foods 8⅛ 89	100	107⅛	−0⅛	6.00
C C Rabo 8 89	150	105⅛	+0⅛	6.23
Denmark 8⅞ 91	100	108⅛	0	5.68
Int Stand Elec 8½ 89	100	105⅛	−0⅛	6.65
New Zealand 8⅛ 88	100	108	−0⅛	8.36

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	60	108	+0⅞	10.40
Aust Resources 11⅛ 92	50	102⅛	+0⅛	11.05
Bank of Tokyo 10⅞ 92	75	103⅞	−0⅞	9.99
Bqo l'Indosuez 14 81	75	100⅛	+0⅞	11.56
Br Col Munic 12⅛ 81	100	106½	−0⅛	10.73
Br Col Munic 13⅛ 81	100	109⅛	+0⅛	11.20
Br Col Tele 12⅛ 89	70	103⅞	+0⅛	11.64
Denmark 11⅛ 91	100	101⅛	0	11.23
Farm Cred Corp 12⅛ 90	75	105⅛	+0⅛	10.67
Kredietbank 12 92	75	102⅛	+0⅛	11.39
Long Term Cred 11⅛ 90	75	103¼	+0⅞	10.72
Montreal City 12⅛ 91	50	108	+0⅛	10.71
New Brunswick 12 95	75	104½	0	11.20
Nova Scotia 11⅛ 95	100	101⅛	+0⅛	11.31
Quebec Hydro 14 81	75	107⅛	0	11.97

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102⅛	−0⅞	9.32
Australia & NZ 10⅛ 91	60	104⅛	−0⅛	8.71
Austria 10⅛ 93	100	107⅛	−0½	9.21
BFCE 9⅛ 92	75	102⅛	−0⅛	9.22
Cred National 10⅛ 91	60	105⅛	−1⅛	9.40
Cred National 11⅛ 91	60	107	−1⅛	9.60
Denmark 10⅛ 91	75	106⅛	−0⅛	9.10
Ebco Intl 10⅞ 89	55	103½	−0⅛	9.55
EEC 10⅛ 81	60	104½	−0⅞	9.46
EEC 11 93	50	105⅞	−1⅛	9.45
EEC 11⅛ 91	50	106⅛	+0⅛	9.72
EEC 11⅛ 93	70	108⅛	−0⅛	9.48
Euro Coal & Steel 6 94	60	120⅞	+1⅛	8.76
Euro Invest Bk 9⅛ 95	200	101⅛	−0⅛	9.01
Euro Invest Bk 10⅛ 94	100	104⅛	−1	9.30
Euro Invest Bk 10⅛ 89	60	105	−0⅛	8.73
Euro Invest Bk 10⅛ 94	100	106⅛	−0½	9.42
Euro Invest Bk 11⅛ 92	75	108½	−1⅛	9.35
Euro Invest Bk 11⅛ 93	50	107⅛	−1⅛	8.87
Euro Invest Bk 11⅛ 96	50	112	−1	9.38
Gen Finance 11 90	70	106⅛	−1⅛	9.28
Giro Vienna 10⅛ 93	60	107⅛	−0⅛	9.09
GTE Finance 10⅞ 92	50	107⅞	−1	9.18
Ireland 10⅛ 95	50	103⅞	−0⅛	9.63
Italian Govt 10⅞ 92	600	105⅛	−0⅛	8.42
Italian Treas 11⅛ 90	60	105⅛	−3⅛	10.07
Kreditbank L 8⅛ 92	75	101	−0⅞	9.14
Mogal Finance 11⅛ 94	100	107⅛	+0⅛	9.84
Nippon Cred Bk 11 91	50	100⅛	−3⅞	10.03
Nordic Inv 8 94	50	118⅛	−0⅛	8.91
Post Och Kred 10⅞ 92	50	104½	−0½	9.87
Royal Bk Can 10½ 89	85	104⅛	−0⅛	8.83
SNCI 10⅞ 94	60	100⅛	−0½	5.64
Swedish Export 11 89	58	100⅛	+0⅛	8.73
West LB 10⅞ 91	50	104⅛	0	8.81
World Bank 10⅛ 88	100	105⅛	+0⅛	0.45

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 88	40	93⅛	−0⅛	14.86
PIBA 12⅛ 88	50	96½	−8⅛	13.91
State Bk NSW 12⅛ 88	40	0		
Woolworths 14⅛ 88	25	99½	+1	14.46

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 81	100	99½	−0⅛	10.86
Denmark 10⅛ 89	75	99⅛	−0⅛	10.79
EEC 11⅛ 94	50	101½	−0⅛	11.00
Eurocaret 11⅛ 92	90	101½	−0⅛	10.95
Euro Invest Bk 10⅛ 92	75	98⅛	−0⅛	10.81
Finland 11⅞ 88	50	102⅞	−0⅛	10.74
Grand Met Fin 10⅞ 90	90	98⅛	−0½	11.10
Int-Amer Dev 11⅛ 81	98	101⅛	−0⅛	11.02
Int Stand Elec 11⅛ 89	00	100⅛	−0⅛	11.94
Inv In Indust 11⅛ 91	60	103	−1	10.79
Ireland 11⅛ 94	50	102	+0⅛	10.97
New Zealand 10⅛ 89	100	98	0	10.94
SNCF 11⅛ 94	90	101	−0⅛	11.03
World Bank 10⅛ 89	100	99⅞	−0⅛	10.62
World Bank 10⅛ 88	50	98⅛	−0⅛	10.89
World Bank 11 94	50	100⅛	−0⅛	10.90

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem
Commerzbank DM	31/5/88	0		
Ciba-Geigy Int £	1/11/93	409⅛	−0⅛	198.25
Credit Suisse	31/5/88	58	+1⅛	5.65
Deutsche Bank DM	18/8/91	121⅛	0	−36.86
ICI Finance	1/6/90	255	−2½	184.42
IC Industries	15/6/88	22	+1⅛	−14.98
Jusco	22/12/88	91⅛	+1⅛	4.47
Minebea Co	20/2/89	62½	+1⅞	53.25
Mitsubishi Cp	7/11/88	37	−1⅛	21.71
Mitsui	10/12/87	28⅛	−0⅛	16.94
Nissho Iwai	1/2/89	14⅞	−1⅛	29.98
Nomura	31/10/88	80⅛	−4⅛	14.58
Siemens Wts DM	31/5/90	0		
Swiss Bank Cpn	20/12/88	91⅛	+1⅞	16.01
Tomy Ind	5/3/87	38⅛	−2⅞	18.88
Veba Intnl	15/12/93	0		

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/88	27⅛	+15⅛	10.63
Coca-Cola 11⅛ 91	28/11/86	48	+4½	11.14
Commerzbk 13⅛ 91	17/7/88	89	+0⅛	11.15
Du Pont 13⅛ 89	26/8/86	85⅛	+5	10.40
Eksportfinas 13⅛ 89	15/9/87	88⅛	+7	10.33
Gen Elec 12⅛ 91	7/8/87	72	+0½	10.97
Ind Bk Jpn 17⅛ 91	5/10/89	83⅞	+0	10.01
Inv In Ind 10⅞ 91	1/12/88	90	0	10.08
McDnlds F 11⅛ 94	5/1/89	43⅛	+3⅞	10.30
Oester Lndbk 13⅛ 89	9/3/87	74⅛	−5	10.95
Texaco Cap 12⅞ 92	1/9/87	83⅛	+2⅛	11.46
Trnto Dom 12⅛ 91	5/4/88	63	+4½	11.01

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month: § above mean rate) for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
† Perpetual.

 Closing prices on November 1.

This announcement appears as a matter of record only

New Issue 16th October, 1985

U.S.$150,000,000

European Investment Bank

10¼ per cent. Notes due 1992

Issue Price 100¼ per cent.

Union Bank of Switzerland (Securities) Limited

Amro International Limited	Banca Commerciale Italiana
Bank Leu International Ltd	Bankers Trust International Limited
Banque Bruxelles Lambert S.A.	Chase Manhattan Capital Markets Group
Crédit Lyonnais	Credit Suisse First Boston Limited
Daiwa Europe Limited	Generale Bank
Genossenschaftliche Zentralbank AG-Vienna	IBJ International Limited
Istituto Bancario San Paolo di Torino	Kuwait International Investment Co. s.a.k.
Merrill Lynch Capital Markets	Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd.	Nomura International Limited
Orion Royal Bank Limited	Shearson Lehman Brothers International
Société Générale	Swiss Bank Corporation International Limited
Swiss Volksbank	S.G. Warburg & Co. Ltd.

This announcement appears as a matter of record only

New Issue 17th October, 1985

U.S.$75,000,000

Swiss Volksbank Finance (Cayman Islands) Ltd.

6½ per cent. Guaranteed Notes due 1990
with "A" and "B" Warrants attached to acquire
100,000 shares of Sfr.500 par value each of,
and unconditionally guaranteed by,

Swiss Volksbank

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited — Swiss Volksbank
Credit Suisse First Boston Limited — Swiss Bank Corporation International Limited
Commerzbank Aktiengesellschaft — Deotsche Bank Capital Markets Limited
DG BANK – Deutsche Genossenschaftsbank — Dresdner Bank Aktiengesellschaft
Amro International Limited — Hill Samuel & Co. Limited
Kuwait Foreign Trading Cootracting & Investmeot Co. (S.A.K.) — Nomura International Limited
Orion Royal Bank Limited — Rabobank Nederland — S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V. — Arab Banking Corporation (ABC) — Julius Baer International Limited
Banca del Gottardo — Banca della Svizzera Italiana — Bank Cantrade Switzerland (C.I.) Limited
Bank für Gemeinwirtschaft Aktiengesellschaft — Bank in Liechtenstein Aktiengesellschaft
Bank Leu International Ltd — Bank J. Vontobel & Co. AG — Bank Wegelin & Co.
Banque Bruxelles Lambert S.A. — Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A. — Banque Nationale de Paris — Baring Brothers & Co., Ltd
Bayerische Landesbank Girozentrale — Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank — B.S.C. Capital Markets Group
Compagnie de Banque et d'Investissements, CBI — Credit Commercial de France — Credit Lyonnais
Generale Bank — Genessenschaftliche Zentralbank AG – Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft — Groupement Privé Genevois S.A. Panama
Handelsbank N.W. (Overseas) Limited — Hessische Landesbank – Girozentrale — Kredietbank N.V.
Kuwait International Investment Co. s.a.k. — Kuwait Investment Company (S.A.K.)
Liechtensteinische Landesbank — Lloyds Merchant Bank Limited — Merck, Finck & Co.
Morgan Grenfell & Co. Limited — Nederlandsche Middenstandsbank nv — Norddeutsche Landesbank Girozentrale
Nordfinanz-Bank Zürich — Paribas Capital Markets — Pierson, Heldring & Pierson N.V.
Private Bank and Trust Company — Rothschild Bank AG — Sarasin International Securities Limited
Schoeller & Co. Bank Aktiengesellschaft — J. Henry Schroder Wagg & Co. Limited
Schweizerische Hypotheken- und Handelsbank — Société Générale — Verband Schweizerischer Kantonalbanken
Vereins- und Westbank Aktiengesellschaft — Westdeutsche Landesbank Girozentrale

These Bonds have been sold outside the United States. This announcement appears as a matter of record only.

Swiss Franc Public Issue September, 1985

GOODYEAR

The Goodyear Tire & Rubber Company

Ohio, U.S.A.

5⅝ per cent. Bonds 1985-2000

Issue Price 100¼ per cent.

Interest payable annually in Swiss Francs on the aggregate principal amount of

Swiss Francs 238,000,000

Union Bank of Switzerland

Swiss Bank Corporation — **Credit Suisse**

Goldman Sachs Finanz AG

Swiss Volksbank — Bank Leu Ltd

Members of the Groupement des Banquiers Privés Genevois — A. Sarasin & Cie

Private Bank and Trust Company — Members of the Groupement de Banquiers Privés Zurichois

Members of the Union des Banques Cantonales Suisses

BA Finance (Switzerland) Ltd.	Banque Nationale de Paris (Suisse) S.A.	Commerzbank(Schweiz) AG
Crédit Lyonnais Finanz AG Zurich	Daiwa (Switzerland) S.A.	Deutsche Bank (Suisse) SA
Kredietbank (Suisse) S.A.	Mitsubishi Trust Finance (Switzerland) Ltd.	Société Générale Alsacienne de Banque —Groupe Société Générale—

Most investment banks believe in carefully timing new issues. Some even practise it.

UBS Capital Markets Group
Investment banking on a worldwide scale

Union Bank of Switzerland
Capital Market Financing
Bahnhofstrasse 45
8021 Zurich/Switzerland
Telephone 01/234 11 11

Union Bank of Switzerland
(Securities) Limited
The Stock Exchange Building
London EC2N 1EY/England
Telephone 01/838 05 82

International Financing: Can you afford not to talk to UBS?

Union Bank of Switzerland

INTERNATIONAL COMPANIES & FINANCE

CORPORATE FINANCE

Return to respectability for Harvester

SLOWLY. PAINFULLY. International Harvester is returning from the twilight zone of near extinction to the land of corporate respectability. Its balance sheet is still showing negative net worth, and it remains critically dependent upon its bankers. But the financial restructuring it launched last week, combined with its auditors' decision to drop most of the qualifications of its accounts, is a sign that it may now be moving out of the intensive care department into convalescence.

The main purpose of the financial moves was to reduce the company's enormous unfunded pension liability, amounting at present to around $900m total funds of $2bn. Ever since the financial crisis overtook Harvester in the early 1980s, the part of the company's pension scheme not covered by an invested portfolio has caused concern.

For Wall Street, it meant one more uncertainty over a group which was dubious enough on trading grounds alone.

In the days when Harvester was a strong company, feeding trucks and tractors into markets that never looked as though they would go backwards, the unfunded element was easily taken care of by current earnings. Since then, however, Harvester has reduced its size drastically, amputating whole divisions, without an equivalent reduction in its pension obligations. When it sold its agricultural tractor activities last year, for example, it retained responsibility for the retired people in that section.

Although Harvester has managed to meet its obligations it has been unable to increase payments, and in some years outgoings to pensioners have soaked up as much as $90m. Reducing this outflow is consequently crucial in improving profitability.

Harvester wants eventually to fund the whole of the unfunded part of the scheme. But in this initial step it is aiming to provide the finance for a permanent pool of securities to meet obligations on around $500m of the liabilities in the pension plan. To achieve this, it is paying $350m into the scheme which, according to actuarial calculations, should yield in the region of $500m over the estimated life of the obligations, assuming an investment return of 12 per cent a year.

Mr Bob Lannert, the treasurer, says the cash will be invested mainly in government and corporate bonds, with a small element in equities, taking advantage of what he calls "a unique period of time when interest rates are high."

To provide the $350m, the group is rejigging the rest of its already complicated finances. The bulk of the money — $250m — will come from a dividend paid to the parent company by the commercial credit subsidiary. This will be followed by a further $100m once the credit unit has made an offering for an identical amount of subordinated debentures carrying warrants on Harvester stock.

The key to these transactions is a reorganisation of the group's financing division, the International Harvester Credit Corporation, which was kept afloat at the time of the rescue by a consortium of 170 banks involved with the group, who agreed to back a $1.5bn revolving credit. The majority are now dropping out of the arrangements. Under a new revolving credit of $1.2bn, designed to reduce the credit unit's interest costs, a smaller group of 35 banks from within the pool have agreed to take on much larger individual commitments.

Harvester sees these commitments as something of a vote of confidence in its future, particularly since the banks have allowed the parent company to take the finance unit dividend. The new arrangements, it says, will also ease the finance subsidiary's return to the commercial credit markets, since it is now on a firmer footing. And the parent company itself is going ahead with a straight debt operation. It plans to issue $100m of 15-year senior sinking fund debentures which will be used to repay bank debt and reduce the group's revolving credit facility.

Wall Street has broadly welcomed these balance sheet adjustments, noting that they should have a healthy impact on the profit and loss account through the reduction of interest payments and outgoings on pensions.

At the same time, the balance sheet is still looking extremely unbalanced. The forced sale of the farm equipment group to Tenneco last year plunged Harvester into negative net worth, setting it back after all the progress it had made in reducing debt: while borrowings are down from $1.2bn at the peak to $800m, the group's equity has fallen from a positive $302m at the end of its last fiscal year in October 1984, to a negative $20m today.

With truck sales profitable again, Wall Street's hope is that Harvester will eventually be able to trade its way out of these problems. But no one has any delusions that it will not take some time before it will be possible to give the group a clean bill of health.

Terry Dodsworth

Provisions put MGM-UA in the red

By Our New York Staff

MGM/UA Entertainment, the film studio and distribution company which is being taken over by Turner Broadcasting, the Atlanta-based cable television group, lost $115.8m or $2.33 a share in the year to August against net profits of $34.7m, or 69 cents a share.

Four quarter losses were $49.5m, or $1 a share, compared with profits of $2.1m, or 4 cents a share. Revenues rose to $177m from $138m. Revenues for the year slipped to $655m from $706.9m.

The fourth-quarter loss reflects provisions for settling litigation relating to a licensing agreement with Rainbow Service, which operates a television cable network, over rights to the group's film library.

The total payment for settlement which will clear the way for the merger with Turner, amounts to $50m, of which Turner will pay $10m immediately. The other $7.5m will be paid by Turner along with $32.5m from MGM-UA either on December 31 or three days after the merger is completed.

Reverse takeover for Sun King Fung

BY DAVID DODWELL IN HONG KONG

HONGKONG MACAO International Investment, the group created by mainland Chinese interests in partnership with a number of Hong Kong Chinese businessmen, has taken control of Sun King Fung, the troubled Hong Kong property investment company controlled since 1980 by the Sun Hung Kai group.

In what amounts to a HK$200m (US$25.6m) reverse takeover, Hongkong Macao is making its second major investment since it was founded just days after the initialling in September last year of the Sino-British agreement

Its first investment was to set up Dragon Airlines, which stirred up a political storm by challenging Cathay Pacific Airlines' claim to be Hong Kong's exclusive flag carrier.

After the takeover, Sun King Fung will be controlled by Tylfull Co, the shell chosen by Hongkong Macao to make the offer. Tylfull will hold at least 50.9 per cent of the group, while the family interests of the late Mr Fung King Hey (who controlled Sun Hung Kai) will hold 19.5 per cent.

The bid marks the second major reorganisation of Sun King Fung in less than a year. It suffered serious losses after the collapse of Hong Kong's property market in 1982. After incurring losses of HK$295m in 1984, the group in May announced a restructuring which involved disentangling the group from a number of loss-making projects, writing off debts to a number of companies linked to the Fung family, and issuing fresh equity to the Fungs.

The new chairman of Sun King Fung will be Mr K. P. Chao, a local toy manufacturer who chairs Hongkong Macao. Two mainland Chinese board members of Hongkong Macao are also to be appointed to the board. Tylfull will be the first publicly quoted vehicle controlled by Hongkong Macao.

Until two weeks ago, Hongkong Macao held a controlling interest in Dragon Airlines. This has since been diluted to 25 per cent, with two prominent Hong Kong businessmen, Sir Yue-Kong Pao and Mr Ronald Chao, acquiring 30 per cent and 19.5 per cent respectively in a manoeuvre capitalising the airline at HK$200m.

Advance by Power Corporation

BY ROBERT GIBBENS IN MONTREAL

POWER CORPORATION of Canada, the holding company through which Montreal financier, Mr Paul Desmarais controls financial services, communications, pulp and papers and packaging subsidiaries, made net earnings of C$82.4m (US$60.2m) or C$1.40 a share in the first nine months of 1985, up from C$51.3m or C$1 a share a year earlier.

Revenues, mainly from dividends, were C$93.9m against C$75.2m. Power Corp plans a C$100m radio and television acquisition in Quebec, which may lead to its becoming an operating company itself with certain tax advantages.

Setback at All Nippon Airways

BY YOKO SHIBATA IN TOKYO

ALL NIPPON Airways (ANA), Japan's largest domestic carrier suffered a 10.7 per cent drop in pre-tax profits to Y6.32bn ($30.3m) in the half year to September, a period which had initially been expected to bring a strong advance.

The setback was due chiefly to a sharp fall in passenger demand after the crash of the Japan Air Lines jumbo jet in mid-August, and consequent special provisions by ANA.

Turnover was 3.7 per cent higher at Y246.39bn, while net profits declined to Y1.94bn or Y1.72 a share from Y3.94bn or Y3.65 per share.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
BTR §	150	1995	10	(5)	100	SBCI	•
Crossland S&L (a)†‡	100	1997	12	3/8	100	Salomon Brothers	–
Homestead S&L (b)†‡	150	1995	10	3/8	100	CSFB	–
Riggs Nat. Bank (c)†‡	100	1996	11	3/16	100	Morgan Stanley	–
First Bank System (d)†‡	200	2010	25	1/8	100	Morgan Guaranty	–
Kansai Elec. Power ‡	100	1992	7	10 3/8	101 1/4	Nomura Int.	10.117
European American Bk (e)†‡	125	1992	7	1/16	100	EBC-Amro	–
San Paolo di Torino (f)†‡	100	1992	7	1/16	100	Morgan Stanley	–
Gibraltar Savings ‡	115	1992	7	10 7/8	100 7/16	Nomura Int.	10.783
Sth. Calif. Edison (g)‡	100	1993	8	10 1/2	100.85	Daiwa Secs.	10.377
Coca-Cola ⊕‡	100	1992	7	9 7/8	100 3/4	Morgan Stanley	9.722
McDonnell Douglas ‡	50	1992	7	10 1/2	100 1/2	First Chicago	10.398
Chrysler Fin. Corp. ‡	100	1991	6	10 3/8	99 7/8	Merrill Lynch	10.984
Sega Petroleum ‡	150	1995	10	11 1/2	100	CSFB	11.500
Victoria Elec. Comm. ‡	100	1992	7	10	100	CSFB	10.000
Canada ‡	500	1995	10	10	99 3/4	Deutsche Bk Cap. Mkts.	10.041
Korea Eximbank (h)†‡	100	1995	10	1/4	100	Chase Man. (Asia)	–
Bank of Tokyo Fin. (j)†‡	100	1997	12	20bp	100.1	Bank of Tokyo Int.	–
Royal Bk Scotland (k)†‡	350	–	–	1/4	100	Merrill Lynch	–
Lloyds Bank (c)†‡	500	–	–	3/16	100	Lloyds M'chant Bk (Eur)	–
Svenska Int. (l)†‡	25	1995	10	1/8	100	Mitsui Trust Bk (Eur)	–
GMAC ‡	200	1991	6	10	100 1/4	Merrill Lynch	9.943
Shell Oil ‡	250	1990	5	9 1/2	99 3/4	CSFB	9.565
Northeast Savings (m)†‡	125	1995	10	1/8	100	Merrill Lynch	–
Standard Chartered (n)†‡	400	–	–	27 1/2bp	100.1	Goldman Sachs	–
New Brunswick ‡	75	1995	10	10 1/4	99 3/4	UBS (Secs)	10.291
Texas Commerce (d)†‡	150	1997	12	1/8	100	Salomon Brothers	–
Xerox Credit Corp. ‡	50	1988	3	9 1/4	101	Fuji Int. Fin.	8.868
UBAF Bank** (t)†‡	30	1992	7	1/4	100	Merrill Lynch	–
AUSTRALIAN DOLLARS							
Nat. Investeringsbank ‡	50	1992	7	13 5/8	100	Morgan Guaranty	13.625
NEW ZEALAND DOLLARS							
Kredietbank Lux.	25	1988	3	17 3/4	•	Kredietbank Int.	•
D-MARKS							
IADB ‡	250	1992	7	7 1/8	100	Deutsche Bank	7.125
Zenchiku Co. ¶	30	1990	5	(3)	•	Bayerische Vereinsbk	•
Sumisoe Textile ¶	30	1990	5	(3)	(100)	WestLB	•
IKB Finance (o)†‡	100	1995	10	1/4	100	Industriekreditbank	–
CIBC (p)†‡	400	1995	10	1/4	100	Commerzbank	–
J.P. Morgan (q)†‡	400	1995	10	3/8	100	Morgan Guaranty	–
Security Pacific (p)†‡	300	1995	10	1/4	100	Commerzbank	–
Ind. Bk. of Japan (r)†‡	250	1995	10	3/16	100	Deutsche Bank	–
Owens-Corning ‡	130	2000	15	7 1/4	100	Dresdner Bank	7.250
SWISS FRANCS							
Osaka Fish Market** §‡	20	1991	–	1 3/4	100	Handelsbank	1.750
Sanyo Electric** (u)§‡	300	1990	–	1 5/8	100	Crédit Suisse	2.300
Mitsui & Co.** §	100	1991	–	(2)	•	SBC	•
Matsuzakaya Co.** (u)§‡	50	1991	–	2	100	Crédit Suisse	2.434
Tonami Transport** ¶‡	50	1990	–	2 7/8	100	Wirtschafts- und Privbk	2.875
Toyo Menka Kaisha** ¶	100	1990	–	(3)	100	Swiss Volksbank	•
City of Yokohama ‡	100	1995	–	5 3/8	99 3/4	Crédit Suisse	5.408
TNT Overseas Fin.** ‡	25	1991	–	5 1/4	99 5/8	UBS	5.337
Philips Lamp ‡	200	1997	–	5 1/8	100	SBC	5.125
Asian Dev. Bank	100	2010	–	(6)	•	UBS	•
Japan Drilling** ‡	20	1990	–	5 1/2	99 3/4	LTCB (Schweiz)	5.558
Tsumura Juntendo** ‡	50	1990	–	5 1/2	100	SBC	5.500
Chesebrough Pond's ‡	150	1995	–	5 1/2	99 1/2	UBS	5.567
Sanwa Shutter** §‡	30	1991	–	2	100	SBC	2.403
Toyama Chemical** §	50	1991	–	(2)	100	Crédit Suisse	•
STERLING							
Safeway UK ‡	100	2011	20	(s)	39.967	Baring Brothers	11.255
ECUs							
BTR 9	170	1995	10	(4 1/4)	100	SBCI	•
EEC ‡	100	1993	8	8 7/8	100	Deutsche Bank	8.875
Peugeot ‡	50	1990	5	9 1/4	100	Banque Paribas	9.250
NORWEGIAN KRONE							
Hafslund	200	1992	7	(9 7/8)	•	Christiania Bank	•
LIRE							
United Technologies ‡	50bn	1990	5	13 1/2	100	B. Comm. Italiana	13.500
World Bank** ‡	50bn	1990	5	12 1/2	99 1/2	Cariplo	12.641
YEN							
Pemex** ‡	10bn	1992	7	7 1/2	100	Ind. Bank of Japan	7.500

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⊕ With bond warrants. 9 Dual currency. (a) 3/8 over 3m Libor, max coupon 13 1/4% after 3yrs. (b) 3/8 over 3m Libor, max coupon 13%, minimum 8%. (c) 3/16 over 3m Libor. (d) 1/8 over 3m Libor. (e) 1/16 over 3m Libor. (f) 1/16 over 6m Limean. (g) Sold in Japanese-domestic market. (h) 1/4 over 6m Libor. (j) 20bp over 3m Libor, max coupon 13%. (k) 1/4 over 6m Limean. (l) 1/8 over 6m Libor. (m) 1/8 over 1 year Libor. (n) 27 1/2bp over 6m Libid. (o) 1/4 over 3m Libor, max coupon 8 1/4%. (p) 1/4 over 6m Libor, max coupon 8%. (q) 3/8 over 3m Libid, max coupon 8%. (r) 3/16 over 6m Libor, max coupon 8%. (s) Escalating Coupon. (t) 1/4 over 6m Libor. (u) Redemption above par. Note: Yields are calculated on AIBD basis.

TECHNOLOGY

EDITED BY ALAN CANE

Harnessing silicon's potential

Improvements in the electrical properties of amorphous silicon open up new uses for the element, reports Peter M...s

ENGINEERS are showing increased interest in using a relatively novel form of silicon for integrated circuits and other electronic devices. It is a form of the element which can be turned out in large panels, like sheets of glass off a production line.

The material is amorphous silicon, where the element's atoms are arranged not in a regular crystalline structure but in a disordered mass.

In recent years, applications for amorphous silicon have started to take off, mainly in converting sunlight to electricity in solar cells but also in areas such as office copiers, flat display screens, anti-static films and electronic switching devices.

Most of the developments are in Japan and the U.S. but almost all can be traced back to pioneering work in Britain a quarter of a century ago, at STC, the telecommunications company, and Dundee University.

Amorphous silicon can be turned out much more cheaply than conventional single-crystal silicon, which, for instance, forms the dominant starting material in the world's \$25bn-a-year chip business.

Although amorphous silicon has been studied for more than 20 years, scientists have only recently improved its electrical properties to match those of the crystalline form.

Developments in solar cells have benefitted greatly from amorphous silicon. According to one estimate, sales of solar cells based on amorphous silicon are now approaching \$50m a year. By the end of the decade, cells which use this substance could outsell the sort based on the better-established but more expensive crystalline material.

Current sales of all forms of solar cells are put at \$100m-\$150m a year and could amount to \$10bn by the year 2000, according to some industry projections.

One Japanese company, Sanyo, is turning out amorphous-silicon solar cells at the rate of 5m a month, for such uses as calculators. About 60 other Japanese concerns, including Fuji, Sharp, Mitsubishi and Canon are developing other applications (see panel).

Energy Conversion Devices (ECD), of Troy, Michigan, took an early interest in turning out solar cells based on amorphous silicon. ECD has annual sales of \$30m, most of it resulting from licensing agreements with other companies.

ECD has formed joint ventures with Sohio and Sharp, as a result of which factories in Troy and Nara, Japan, are making amorphous solar cells on a backing of stainless steel in rolls 1,000 ft long and 1 ft wide.

The company is also interested in using amorphous silicon to make large electronic switching displeys and memories. NTT of Japan is paying ECD \$1.3m to develop applications in this area. The Troy company is receiving another \$5.5m from an unnamed multinational corporation to work on large flat displays based on amorphous silicon.

The technology could make it possible to manufacture large integrated circuits measuring several square inches. Present-day chips made from monocrystalline silicon are limited to a fraction of this size because of the difficulty of making larger slices of material free from defects. Semiconductor companies currently buy about \$1bn worth of crystalline silicon a year for processing into integrated circuits.

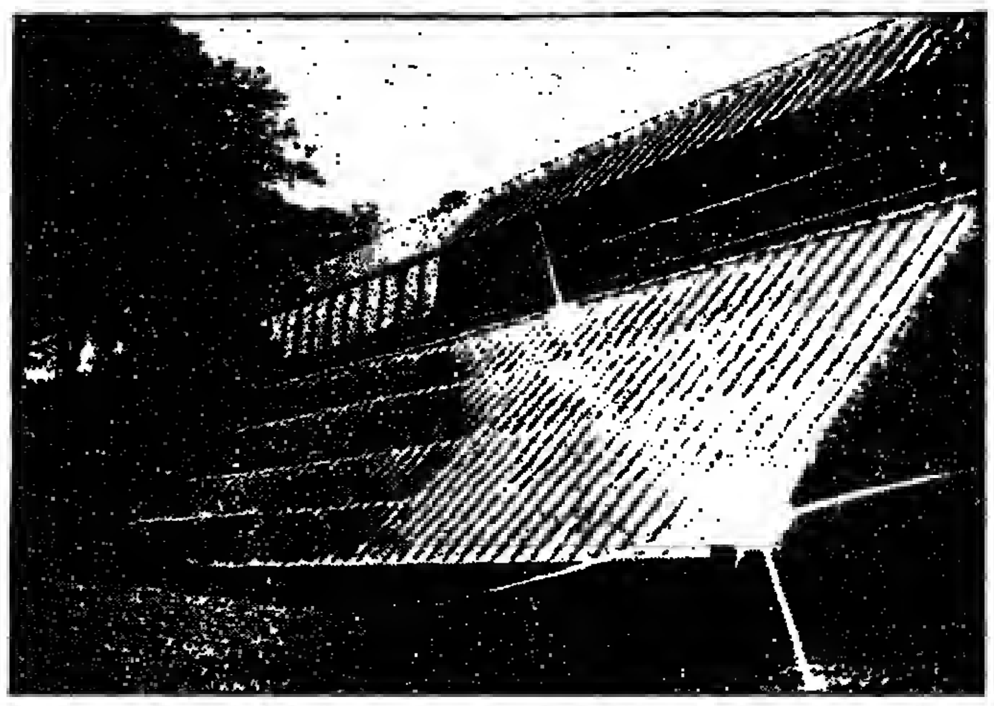
Other U.S. companies developing applications for amorphous silicon include Sohio, 3M, Solarex (a subsidiary of Amoco), and Polaroid.

Researchers at STC, the UK telecommunications company, were the first to explore the potential of amorphous silicon. In January 1969, three scientists at STL, STC's Harlow-based research company, published a paper in the Journal of the Electrochemistry Society on the preparation and properties of the material. The scientists were R. C. Chittick, J. H. Alexander and H. F. Sterling.

When STC decided not to exploit the potential of this work, the researchers passed on samples to physicists at Dundee University in Scotland. For the next few years, Dundee workers published a stream of scientific papers on how to produce the material by depositing silicon from gaseous silane (silicon hydride) on a substrate such as glass.

The key factor of the process was that it involved a relatively low temperature of 200-300 degree Celsius. The silane has to be in the form of a plasma (a not ionised gas) which is produced by an electric current. With the Dundee technique, the glass substrate can be moved through a chamber filled with gas while silicon is deposited in an automated process.

In orthodox silicon production, the single-crystal form of the element is turned out by cooling molten silicon, a convoluted and energy-intensive process which needs a high temperature of about 1,000 deg. Celsius.



Solar collector arrays like this one at Torbay General Hospital in the UK may increasingly come to be based on amorphous silicon

Applications for an adaptable element

THE MAIN applications for amorphous silicon are:

● Solar cells. Total world output of amorphous solar cells is put at about 10 MW a year. (This is the volume of cells that can produce this amount of electricity.) The electrical efficiency of amorphous-solar cells is 6-12 per cent. Output can be in the form of panels of about 1 square foot, which can produce 6-10 Watts.

Besides Japanese companies and Energy Conversion Devices, another U.S. concern, Chronar, makes solar cells using a deposition process based on the Dundee University principles. In a plant in Port Jervis, New Jersey, the company turns out each year cells with the potential to produce 1MW of electricity.

It has a similar factory in Bridged, Wales—the only plant in Europe devoted to solar cells based on amorphous silicon. Next year the company plans to open a third facility in Lens, France.

● Large-panel cells. A new company headed by Dr Arun Maden, an ex-Dundee scientist who formerly worked at ECD, plans to adapt amorphous silicon technology further to make still larger panels (2ft by 3ft) on substrates of tempered (shatter-proof) glass. Dr Maden is vice-president of Glasstech Solar of Denver, Colorado, which was formed earlier this year to marry tempered glass production technology with techniques for depositing silicon on it.

Dr Maden hopes to develop machines to make such panels in about two years. The equipment would turn out cells that produce electricity at a cost of about \$1.85 a Watt, compared with today's price of \$5-\$10.

● Photocopiers. Canon sells office copiers whose photoreceptor drum contains a layer of amorphous silicon. In conventional copiers, the drum is coated with selenium, a material which has similar photoconducting properties to silicon but which wears out faster.

In Canon's copiers, the silicon changes its conductivity when illuminated. So an image of the lettering and graphics on paper can be translated into different areas of conductivity on the drum. The charge held on the drum causes black toner to stick only to specific areas. When the toner is transferred to another sheet of paper, a copy is made.

● Anti-static and optical coatings. Mitsubishi coats some of its TV screens with amorphous silicon to resist static. In Britain, Pilkington uses a layer of amorphous silicon in energy-saving glass for buildings. The silicon reflects heat back into the interior of building.

● Display. Several Japanese companies are working on large displays in which circuits inscribed in a thin film of amorphous silicon switch on and off liquid-crystal elements to make a monochrome or colour TV picture.

The Dundee development

A CRUCIAL TIME in the development of applications for amorphous silicon came in 1975 when workers at Dundee University published details of how they had altered the substance's electronic properties by "doping" the material with atoms of boron and phosphorus.

The advance held out the prospect that the material could be used to make useful electronic devices. After this, says Dr Peter LeComber, one of the Dundee workers, interest in amorphous silicon mushroomed. Companies around the world took up the Dundee ideas, spending millions of dollars on the further technical developments needed to make commercial products.

There was little interest in Britain, recalls Dr LeComber who, with a colleague, Professor Walter Spear, was responsible for many of the early papers. "We were disappointed to see the Japanese go ahead and commercialise everything first." The Dundee ideas were never patented.

More recently, British companies such as GEC and Lucas have taken a new interest in the applications for amorphous silicon in electronic switching and flat screen TVs (this page, October 15). BP is financing the Dundee workers and other group at Edinburgh University to study the uses of the material in information processing.

Dr Arun Maden, an Indian-born scientist who studied amophous silicon for his PhD thesis in Dundee from 1970 to 1973, says the university workers did a remarkable job. "We did the work 15 years ago yet the basic principles remain the same."

‘We did the work 15 years ago yet the basic principles remain the same’

Dr Maden was employed by ECD in Troy between 1975 and 1982 and helped introduce the company to the ideas developed at Dundee. He has founded a new company, Glasstech Solar, to develop other uses for amorphous silicon.

Dr Stephen Hudgens, vice president for research at ECD, says the British scientists did "pioneering work which played an important part in getting us to where we are today." Other groups which played a part in the early developments included a scientific team under Dr Helmut Fritzsche at the University of Chicago.

The Chicago workers made a crucial discovery in finding that hydrogen atoms embedded in the amorphous silicon played an important role in influencing the electronic properties of the material. Without the hydrogen, the amorphous silicon would be unable to function as a semiconductor along the lines of the crystalline material.

Amorphous silicon can be turned into integrated circuits using similar processes as for crystalline silicon—such as photolithography, in which the positions of individual circuits are defined by beams of light.

After 1975, ECD itself formulated a variation on the Dundee process. Instead of silane, it turned to silicon tetrafluoride (with some added hydrogen) as the medium for applying amorphous silicon to a substrate. The silicon is built up on a steel backing atom by atom. Other materials, such as dopant atoms, are added in a similar process to modify the silicon's electronic characteristics.

Ansafone spreads the message

ANSAFONE of Camberley, Surrey has developed the Multi-Announcer System 2000 which makes it easy for companies with a message for potential customers to broadcast it over internal or external telephone lines.

The system can broadcast information to as many as 100 telephone lines simultaneously and plays pre-recorded messages twice to each caller. It can offer up to six different messages on different numbers.

This easy updating of messages makes System 2000 suitable for supermarkets, cruise liners, hotels and other places where the information clients and customers need is constantly changing. Only those with the access codes can command the machine.

No bones about china

BONE CHINA has become boneless china at Dudson's, the Stoke on Trent pottery company.

After seven years' research, the company has perfected a form of fine china which retains all the traditional qualities of bone china without the use of crushed animal bones. The product is 30 per cent cheaper than bone china and is claimed to be stronger.

Normally, to achieve the whiteness and translucency traditionally associated with bone china, the industry uses about 10,000 tons of crushed and calcined (oxidised) bones a year.

Dudson's now achieves the same effect with a formula which is a closely guarded secret. Demand for the product has already led to the creation of 157 new jobs and the group is spending £2m on increased production facilities. Recently Dudson's won a 100,000 piece order from the Conrad International Hotel Group for the new product.

More on 0782 85248.

Company Notices

CREDIT D'EQUIPEMENT DES PETITES ET MOYENNES ENTREPRISES

Corporation organised under French law
(Société Anonyme d'Economie Mixte) governed by the articles 118 to 150 of the French law of July 24, 1966 relating to commercial Companies
Capital: French francs 350,000,000
Head Office:
14, rue du Quatre Septembre PARIS 2è
Commercial Register: PARIS B 320 252 489

SECOND NOTICE TO HOLDERS OF NOTES 12¼% 1984-1991 OF US\$5,000 EACH

The holders of International notes 12¼% 1984-1991 issued by CREDIT D'EQUIPEMENT DES PETITES ET MOYENNES ENTREPRISES who were called for October 30, 1985, being unable to meet validly for lack of quorum, the noteholders are again called to an Ordinary General Meeting, at 50, bld Haussmann PARIS 9ème (FRANCE) on November 18, 1985, at 3 p.m. in order to consider the same agenda as the one for the first meeting, that is:

—Appointment of the noteholders' permanent representatives, designation of the substitute representatives.
—Determination of the noteholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the noteholders to attend or to be represented at this meeting, the notes or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these notes and from whom proxies or admission cards can be requested.

"LE DIRECTOIRE"

STANDARD BANK IMPORT AND EXPORT FINANCE COMPANY LIMITED

(Incorporated with limited liability in the Republic of South Africa)
Registered office:
15th floor,
Standard Bank Centre Building
78 Fox Street, JOHANNESBURG 2001

First Notice to Holders of Floating Rate Notes 1984-1991 of US\$10,000 each unconditionally and irrevocably guaranteed as to payment of principal and interest by the Standard Bank of South Africa Limited
(Incorporated with limited liability in the Republic of South Africa)

The holders of international floating rate notes 1984-1991 issued by STANDARD BANK IMPORT AND EXPORT FINANCE COMPANY LIMITED are called to an Ordinary General Meeting to be held at, 37, rue du Rocher, PARIS 8ème (FRANCE) on November 20, 1985, at 3 p.m. in order to consider the following agenda:
—Appointment of the noteholders' permanent representatives, designation of the substitute representatives.
—Determination of the noteholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the noteholders to attend or to be represented at this meeting, the notes or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these notes and from whom proxies or admission cards can be requested. This meeting shall be validly held if the holders of twenty-five per cent of the outstanding notes are present in person or represented.

THE BOARD OF DIRECTORS.

LIBRA BANK PLC
(Incorporated in England with limited liability)
US\$100,000,000
Subordinated Floating Rate Notes due 1995

Notice is hereby given that the Interest Rate on the Notes for the period 4th November, 1985 to 6th May, 1986 is 8⁵⁄₁₆% per annum. On 6th May, 1986 the Coupon Amount will be US\$425.73 per US\$10,000 Note and US\$4,257.29 per US\$100,000 Note.

Banque Paribas, London Branch
Agent Bank

Contracts and Tenders

ALGERIAN POPULAR DEMOCRATIC REPUBLIC

MINISTRY OF ENERGY & CHEMICAL & PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPLORATION COMPANY
NOTICE OF EXTENSION

The National Oil Exploitation Company (E.N.T.P.)—18 ROUTE DE MEFTAH—OUED SMAR—EL HARRACH—ALGER—hereby informs companies concerned with National and International Call for Tender No. 9188/AY/MEC for the supply of:

PUMPING UNITS, GENERATOR SETS AND ALTERNATORS

that the closing date, initially set at 16 October 1985, has been extended to 9 November 1985.

DEFERRED PURCHASE AGREEMENT—PERMISSION TO TENDER

The Isle of Wight County Council has resolved to build a Waste Derived Fuel Plant on land in its ownership in the Isle of Wight and to finance the design and construction costs by a deferred purchase agreement in accordance with para 85(c) of Department of the Environment Circular No 6 of 1983. Applications are hereby invited from interested bodies to apply for permission to tender for such an agreement. Such applications to be returned to the County Treasurer at County Hall, Newport, Isle of Wight PO30 1UD by Monday, 18th November 1985 in an envelope marked WDF—DEFERRED PURCHASE AGREEMENT.

The following matters will need to be covered in the application:

1. Setting up/negotiating fee for a Deferred Purchase Agreement (DPA) to finance the estimated £2.5m design and construction cost of a waste derived fuel plant. Design should commence before 31 March 1986, with construction commencing in 3rd/August 1986, and completion in January 1988.
2. The DPA should be for a notional period of at least 10 years, but should give the Council the option to accelerate or delay payments at its sole discretion.
3. The DPA should in no way oblige the Council to pay a financier in advance of his paying the building contractor.
4. The Council will require evidence to be submitted with the application that the scheme is acceptable to the Department of the Environment and does not contravene the requirements of the Local Government, Planning and Land Act 1980, the Prescribed Expenditure Regulations, and the Department of the Environment letter to CIPFA dated 15 February 1985.
5. Applicants are to quote on (i) variable interest terms; and (ii) fixed interest terms.
6. At all times during the course of the building contract the Council is to retain the usual contractual safeguards vis-a-vis the building contractor, even though it is in effect acting as agent for the financier.
7. For any further information please contact the County Treasurer at the address below or telephone 0983 524031.

M. F. LLOYD, County Secretary and Solicitor

County Hall,
Newport,
Isle of Wight, PO30 1UD.
31 October, 1985.

CONTRACTS and TENDERS ADVERTISING appears every MONDAY. The rate is £35.50 per single column centimetre

Company Notices

ISTITUTO BANCARIO SAN PAOLO DI TORINO
ECU 30,000,000
14¼% — 1981/1988

We inform Bondholders that the Ecu 7,500,000 instalment due for amortisation on December 3 1985 has been met by a draw by lot in the presence of Madame Jeanne HOUSSE, Notary Public in Luxembourg.

Consequently, the 7 500 bonds of Ecu 1,000 numbered:
..43 to 10702 inclusive
will be redeemable at par, coupons on December 3 1986 and subsequent attached, as from December 3 1985, date at which they will cease to bear interest.

Redemption of bonds and payment of interests will take place at the following banks:
CREDIT LYONNAIS, Luxembourg
BANQUE NATIONALE DE PARIS, Paris
KREDIETBANK N.V., Bruxelle
ISTITUTO BANCARIO SAN PAOLO DI TORINO, Turin

Outstanding amount after this first amortisation:
Ecu 22,500,000.—

The Fiscal Agent
CREDIT LYONNAIS
LUXEMBOURG

SPAREKASSEN SDS
(A savings bank established under Danish Banking Law)
Registered at: 6 Kongens Nytorv DK 1050 COPENHAGEN K.

FIRST NOTICE TO HOLDERS OF SUBORDINATED BONDS 10½% 1984-1991 OF ECU 1,000 EACH

Appointment of the bondholders' permanent representatives, designation of the substitute representatives.

—Determination of the bondholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested. This meeting shall be validly held if the holders of twenty-five per cent of the outstanding bonds are present in person or represented.

THE ISSUER.

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of US\$ 250 million
January 1980/88

The rate of interest applicable for the three month period beginning 31 October 1985 and set by the reference agent is 8⅛% annually.

CHEMICAL NEW YORK CORP.
U.S.\$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with the provisions of the Notes, Notice is Hereby Given that for the interest period from October 31st, 1985 to November 29th, 1985 the Notes carry an interest rate of 8¹⁄₁₆ per cent per annum.

The interest payable on the relevant interest payment date, November 29th, 1985 against coupon No. 12 will be U.S.\$65.95 per U.S.\$10,000 Note.

Agent Bank
CHEMICAL BANK

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.0 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189 Regent St. 01-734 0557.

Art Galleries

BROWSE & DARBY, 19, Cork Street, London W1. 01-734 7984. P. W. STEER. Loan Exhibition.

COPPER SMELTER AND REFINERY PROJECT IN PORTUGAL

COPPER PROJECT

PRE-QUALIFICATION FOR GENERAL CONTRACTOR

1. INTRODUCTION

QUIMIGAL – QUÍMICA DE PORTUGAL, E.P. is a Portuguese State-owned corporation with the objective of developing activities in the fields of fertilizers, chemicals and non ferrous metals.

By the Decree Law 158/82 of May 6, and the Ministerial Orders 88/82 of December 16 A-210/84 of September 26, and 183/85 of September 17, QUIMIGAL was commited with an active participation in the implementation of the Project mentioned in the title, to be installed in an industrial area on the southwest coast of Portugal to grant a maximum added value to the copper concentrates from Portuguese mines (namely Neves-Corvo).

Under these circumstances, QUIMIGAL announces the starting phase for the pre-qualification procedure leading to the selection of the General Contractor for said Project to be accomplished in a single responsibility contract.

2. PROJECT

The COPPER PROJECT is envisaged for the production of 100,000 MTPY of «higher grade» copper cathodes. This production will be mainly based on domestic sulphide copper concentrates from the mines of Neves-Corvo, eventually supplemented by raw materials from other sources.

This Project will consist in the following areas:

- concentrate receiving and feed preparation
- copper flash smelting
- copper refinery
- oxygen production plant
- SO_2 gas processing (sulphuric acid production)
- waste heat steam recovery
- storage and handling facilities
- off-sites and per internal housing, roads, power supply plant services, etc.

The magnitude of total investment for the COPPER PROJECT is estimated at about 300 million USD (constant prices 1984), including interest during construction. Foreseen engineering and construction period: 1987-1990.

3. IMPLEMENTATION

The overall implementation of COPPER PROJECT will be accomplished on a turn-key basis, starting from the following information to be supplied by QUIMIGAL:

— Basic and general data, criteria and specifications (to be detailed at a later stage) for all areas;
— Basic engineering for copper smelter understood as concentrate drying, charge preparation, smelting furnace, heat recovery, slag treatment;
— Conceptual arrangement for the converter aisle and anode casting.

The maximum utilization of Portuguese services and equipment is encouraged.

4. JOB ASSIGNEMENT FOR GENERAL CONTRACTOR

The work shall be performed in accordance with the General Conditions (to be set forth at a later stage) and shall include: engineering and design services for the completion of the aforesaid facilities, including basic engineering (except for the copper smelter area as defined before) and detailed design, preparation of layouts and flow diagrams, equipment specifications, plot plans, operating manuals, construction drawings and specifications, procurement and supply of equipment and materials, overall project management, construction and start up.

5. APPLICATION FOR REGISTRATION

Interested candidates (firms or consortia (1)) shall submit, for this first pre-qualification phase, an application file in English, French or Portuguese language, detailing information on:

— ability and experience to undertake turn-key projects of this type and size;
— performance records for similar metallurgical Projects;
— experience in projects handled in Portugal and experience in cooperation with Portuguese suppliers for services and hardware;
— outline of financing possibilities proposed for this project;
— Project management and handling procedures as well as project control philosophy, considered adequate to this case;
— engineering capacity available per discipline;
— execution scheme considered for this project taking into account the use of domestic services and supplies to a maximum reasonable extent;
— number of weeks for the preparation of a proposal for such a project and time schedule of similar projects if available;
— work load as a percentage of total capacity for the period 1986-1989 and back up resources;
— Annual report and financial statement (3 latest year);
— financial background and bank references;
— list of possible process licensors to be considered for the engineering of: copper refining plant, sulphuric acid, oxygen plant, turbo generator unit;
— eventual interest in equity participation.

QUIMIGAL reserves the right to:
— confirm the information received from the candidates,
— reject any candidates,
— postpone and/or cancel next phase of pre-qualification procedure.

The candidates must be prepared to submit additional information or other evidence of their ability to carry on the COPPER PROJECT if called upon to do so by QUIMIGAL.

6. ADDRESS

The candidates interested in being prequalified should forward by registered mail their applications in 3 copies to:

QUIMIGAL - Química de Portugal, E.P.
Copper Project Executive Division
Pre-qualification and Biding Procedures
Apartado 3235
1306 LISBOA CODEX
PORTUGAL

The application must be received no later than the January 15, 1986 at the above address.

Use the above address, only. QUIMIGAL will not become responsible for documentation miscarried or delivered after closing date if other than mentioned address is used.

QUIMIGAL reserves the right to decide if any application for registration received later than the aforesaid data is to be considered or not.

7. PRE-QUALIFICATION CRITERIA AND PROCEDURE SEQUENCE

Some of the factors to be considered in this pre-qualification phase are:
— previous confirmed experience in similar metallurgical projects;
— process licensors for the areas to be engineered as mentioned in item 4;
— envisaged project organization;
— proposed practices to deal with domestic engineering, equipment and services suppliers.

The candidates whose application for registration in this first pre-qualification phase have been accepted, will receive a Pre-qualification Inquire File that will allow them to step up to the last phase before biding.

8. NON EXPERIENCE CANDIDATES

Candidates who have no experience in dealing with projects with such a dimension and type shall not apply.

(1) Taking into account that only one responsible entity before QUIMIGAL will be accepted.

Liechtenstein bank raising £10m for German trust

THE Prince of Liechtenstein's private bank is raising up to £10m for an investment trust to invest in Germany. The German Securities Investment Trust will invest in major German companies, principally those included in the FAZ Index.

Bank in Liechtenstein's Frankfurt subsidiary, which began operations in January, will provide investment advice for the trust, which will be formally managed by the London division, Liechtenstein (UK). The investment advisers include several former executives from the investment department of Schroeder, Muenchmeyer, Hengst and Co, the Frankfurt bank now owned by Lloyds Bank.

Shares are being issued at 50p partly paid, with a further 50p payable on February 28 1986. In addition, every five shares carry one warrant, exercisable on January 31 each year from 1988 to 1991, to subscribe for ordinary shares at £1.

Half of the 10m shares being issued are underwritten by the sponsors, Liechtenstein (UK).

The company must be wound up in 1996, and winding up must be considered at an extraordinary general meeting in earlier years — unless this is voted against at the annual general meeting.

The managers intend to borrow immediately the £5m that will be received in February when the second payment is due. Money raised in the issue is expected to be transferred immediately into Deutschemarks, as the managers anticipate a fall in the value of sterling prior to its possible entry into the European Monetary System.

Although the West German market is at a very high level, the investment advisers still regard some sectors as undervalued, and plan to begin to invest the money raised very soon.

The issue closes on November 12, and dealings in the shares with warrants attached will begin on November 15. The warrants will be separated in May 1986.

Sevory Milln is stockbroker in the issue.

● comment

The logic of a partly paid issue is unclear when the German Securities Investment Trust plans immediately to borrow the full amount of the call, but Bank in Liechtenstein is clearly taking every precaution against the shares falling to a discount. With the FAZ Index nudging 600, however, investors will be more worried about the distinctly frothy look of the German market. Bank in Liechtenstein's research chief Mr Michael Zapf argues that the market is still within its normal p/e range, and can move higher on the basis of increased earnings next year — but even he sets an FAZ target of only 630 for 1986. Whatever the pressure on German investors to rebuild their slender domestic equity holdings, a correction must look imminent. This places a question mark over the fund managers' keenness to invest quickly. The German economy's fundamentals, on the other hand, are harder to quarrel with, and long-term investors may have some fun backing Zapf's idiosyncratic investment style. He and his team have been in operation at Bank in Liechtenstein for only a matter of months, but they have already won a reputation among fund managers for producing by far the most original, though sometimes quirky, research to come out of Germany. Connoisseurs will compare his performance with interest in that of his former colleagues at Schroeder Muenchmeyer Hengst, who advise Lloyds Bank's German Smaller Companies trust.

Regentcrest profits down to £102,000

Regentcrest, property group, turned in reduced pre-tax profits of £102,000 in the year to April 30, 1985, compared with £216,000 previously. The dividend, however, is raised by 50 per cent from 1p to 1.5p net.

The directors report that in the early months of the current year there has been little change in the company's profitability.

They say their first objective is to establish a firm base on which to build the company's future. To this end, Regentcrest is converting to cash and realising profits where possible from most of its existing properties or investments.

This has improved liquidity so that new investment and development projects can be undertaken. Several proposals are being considered and it is hoped to announce an initial sizeable acquisition in the near future.

Losses of £423,000 (net of £30,000 tax benefit) were incurred by the Morleys Estate Agency, a subsidiary, during trading for the first six months of the year and on the subsequent disposal of its business. This loss has been treated as an extraordinary charge, since it has not been practicable to identify that part of the deficit that relates to ordinary trade.

As a result, the special provision of £350,000 made at the interim stage against possible losses on the sale of Morleys Estate Agency has been increased by £73,000.

Turnover for the year amounted to £2.36m (£784,000).

Tax took £9,000 (£96,000) and earnings per 10p share showed a decrease from 0.82p to 0.61p.

Rothschild in £17m sale of US holdings

BY CHARLES BATCHELOR

J. Rothschild Holdings (JRH), the investment company headed by Mr Jacob Rothschild, is selling large holdings in two of its US investment operations to UK institutions in a deal worth $25m (£17.3m).

JRH is selling up to 75 per cent of the recently-acquired portfolio of Charterhouse Group International (CHUSA), a company investing in US industrial companies. The buyers are a group of institutions, including Electra Investment Trust, Globe Investment Trust, Slough Estates and Charterhouse Japhet.

This group will also take over the business and operations of Chusa while JRH will be left with a 25 per cent stake in the portfolio. Excluded from this deal are two or three "mature" Chusa investments which JRH intends to dispose of.

In addition, JRH will sell 50 per cent of its holding in Mezzanine Capital Corporation, a company managed by Chusa, which specialises in financing acquisitions, mergers and leveraged buy-outs in the US.

Net proceeds of these deals to JRH will be about $25m. It declined to disclose how much will come from each sale.

Mr David Montagu, deputy chairman of JRH, said: "This reflects the desire of Chusa to widen its shareholder base. The deals are so big it is better to have a plethora of shareholders rather than just one."

JRH's continuing investment in US development capital activities will have a net asset value of $33m, the company said. Disposals made since March 1985 and not included in the latest transaction amounted to $33m and have realised "significant profits," it added.

Chusa intends to expand its investment activities into the areas of international joint ventures in leveraged buy-outs and turn-round situations.

Mr Montagu denied that the reduction of JRH's holdings in Chusa and Mezzanine meant it was reducing its investments in the US.

It has recently been involved in major U.S. mergers including the $340m acquisition last April of Central Soya, an agricultural company. It also took a stake in a bid from General Oriental Securities for Crown Zellerbach Corporation, a paper producer.

Mezzanine has a London Stock Exchange listing and last week completed its most ambitious deal, the $94m takeover of Dale Electronics, jointly with another US group.

Solex in receivership

Solex, the carburettor-maker, the shares of which were suspended from stock market dealings last Wednesday, has gone into receivership. Mr Michael Jordan and Mr John Powell of accountants Cork Gully have been appointed joint-receivers at the request of the Solex board.

Earlier this year, Solex, which is ultimately owned by Matra, the French defence, electronics and car components group, made an unsuccessful attempt to refinance its activities. At its 40p suspension price last week it had a market valuation of just £2m.

The receivers said over the weekend that Solex's trading operations were continuing for the time being while an attempt was made to sell the group as a going concern.

Solex made a pre-tax loss of £715,000 in the first half of 1985, compared with a profit of £220,000 in the previous first half. In addition it made an extraordinary loss of £517,000 this time.

It has boosted its poor trading results in recent years with the sale of investments.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Aitken Hume	Oct 30	Interim 2.25
Akroyd and Smithers	Nov 20	Final 12.5
Allied Lyons	Nov 27	Interim 10.4
*Amersham International	Nov 11	Interim 2.2
Argyll Group	Dec 4	Interim 2.1
*Associated British Foods	Nov 4	Interim 1.7
Associated Newspapers	Jan 6	Final 9.5
*Aust and NZ Bank	Nov 16	Final 15c
Avon Rubber	Dec 5	Final 3
BOC	Dec 6	Final 4.55
*BPB Inds	Nov 26	Interim 3.1
*Bank of Ireland	Nov 14	Interim 5.5
Bass	Dec 6	Final 9.6
Beecham	Nov 27	Interim 5.1
*Boots	Nov 21	Interim 2.2
Borthwick (T.)	Nov 29	Final 0.25
Burton	Nov 13	Final 4.5
Cable and Wireless	Nov 28	Interim 2.6
Cape Inds	Dec 5	Interim due
*Chloride	Dec 10	Interim due
Common Bros	Nov 14	Final nil
*Courtaulds	Nov 19	Interim 1.4
*Dawson International	Nov 28	Interim 2.6
*De La Rue	Nov 12	Interim 8.25
*Electrocomponents	Nov 5	Interim 1.6
*English China Clays	Dec 12	Final 6
Extel	Nov 22	Interim 1.5
Ferguson Industrial	Nov 12	Interim 2.5
Ferrano	Dec 6	Interim 0.12
French Kier	Nov 22	Interim 1.56
GEC	Dec 4	Interim 1.35
GEI Intl	Nov 13	Interim 1.94
Gill and Duffus	Oct 24	Interim 4.0
Granada	Dec 5	Final 4.1
Great Portland Estates	Nov 14	Interim 1.0
GUS	Dec 5	Interim 6.25
*Habitat Mothercare	Dec 5	Interim 2.4
Hambros	Dec 4	Interim 20p
Hanson Trust	Dec 5	Final 3.25
*Heath (C. E.)	Nov 12	Interim 6.0
*Hepworth (J.)	Nov 5	Final 5.5
*Hill Samuel	Nov 2	Interim 3.25
Hunting Gibson	Nov 12	Interim 0.20
Jetl Signal	Nov 14	Interim 1c
Kwik Save	Nov 15	Final 2.6
LRC Intl	Nov 21	Interim 1.3
*Land Securities	Nov 13	Interim 2.6
*Lucas Inds	Nov 11	Final 6.0
*MEPC	Nov 27	Final 6.5
*Metal Box	Nov 16	Interim 6.1
Pegler-Hattersley	Dec 5	Interim 5.25
Polly Peck Intl	Dec 4	Final 2.5
Powell Duffryn	Nov 22	Interim 5.0
RHM	Dec 4	Final 2.756
Redland	Nov 29	Interim 2.2
Rothmans Int	Nov 29	Interim 2.2
Royal Bank Scotland	Nov 29	Final 5.2
*600 Group	Nov 28	Interim 3.343
*Sainsbury (J.)	Nov 5	Interim 1.4
Sketchley	Nov 21	Interim 4.3
*Smiths Inds	Nov 13	Final 9.25
Trafalgar House	Dec 4	Final 5.3
*Unigate	Nov 27	Interim 3.0
Valor	Nov 15	Interim 1.236
Wedgwood	Nov 23	Interim 2.75
*Whitbread	Nov 20	Interim 2.05

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

C. H. Bailey boosted by rates refund

An exceptional rates refund has enabled C. H. Bailey, the South Wales ship repairing, engineering and leisure group, to produce a profit of £204,000 in respect of the year ended March 29 1985, compared with £12,000. The refund was £301,000 and in respect of prior years.

Turnover in the year rose from £5.16m to £6.67m. After tax £34,000 (£7,000) and minorities loss £71,000 (£32,000), the net profit is £241,000 (£37,000) for earnings of 0.402p (0.062p).

There is an extraordinary debit of £718,000 (£2.21m) being the amount written off for assets which are not utilised, less minority share.

Share stakes

Changes in company share stakes announced over the past week include:

Boase Massimi Pollitt — The following directors disposed of shares: Mr D. A. Batterbee 60,000 and Mr Martin Boase 275,000 shares.

Reckitt and Colman — Director Mr T. J. A. Colman disposed of 20,000 shares, reducing his total holding to 494,426 , 0.33 per cent).

Allied Textile — Mr David Fearnley, a director, acquired 21,375 ordinary shares.

Acorn Computer — The following directors disposed of shares: Mr C J. Curry 25,000 ordinary and Mr H. M. Hauser 25,000 shares.

Cluff Oil — Director Mr J. G. Cluff purchased 25,00 ordinary shares.

Windsor Securities

The board of Windsor Securities has announced that it is poised to acquire the share capital of Lander Investments — primarily for its own shares.

Windsor Securities is an insurance broker which was the subject of a successful, but controversial, takeover by the management of Lander Investments — a private insurance company — in June. Lander is now the largest shareholder in Windsor.

Mr John Carr, the chairman of Windsor, said that discussions were proceeding with other potential acquisitions and joint ventures, but the directors were not aware of any short-term justification for the recent rise in the price of the shares in Windsor.

FT Share Information

The following security has been added to the Share Information Service:

Kewill Systems (Section: Electricals)

National Home Loans Corporation (Trusts-Finance Land)

Nevi Baltic, Ordinary and 7pc Cnv Cum Red Pref (Trusts-Finance Land).

RESULTS IN BRIEF

BERRY PACIFIC (Sterling) Fund increased net income to £270,108 (£135,802) for the half year to September 30, 1985. Net assets at end September were £18.94m (£28.71m).

GRESHAM HOUSE, investment trust, made a pre-tax profit of £287,000 (£185,000) for the six months to June 30 1985. An interim dividend of 1.4p (same) is being paid. Earnings per share were stated at 5p (3.6p).

SHIRES INVESTMENT TRUST increased its net asset value per share from 187.32p to 219p as at December 30 1985. Net revenue after tax for the six months was £535,000 (£225,000). Earnings per share were 5.09p (6.27p) basic and 5.73p (6.27p) fully diluted.

J. SMART & CO. (CONTRACTORS), Edinburgh-based building contractor, reported taxable earnings for the year to the end of July 1985, up by 45 per cent from £879,000 to £1.28m on turnover up from £11.83m to £12.07m. From earnings per 10p share of 7.88p (6.58p) a final of 3.15p (2.85p) is being proposed, making a total of 4.35p (3.95p).

STORMGARD, an investment company, reports a taxable profit of £37,898, against £33,775, for the first six months of 1985. Earnings per share were 0.6p (0.5p). There is no interim dividend (same).

BOARD MEETINGS

TODAY

Interims—Associated British Foods, Bisichi Tin, Geers Gross, Lifecare International, Oxford Instruments, Tysons (Contractors), Wire and Plastic Products.

Finals—Bridport-Gundry, Cramphorn.

FUTURE DATES

Interims—

Courtaulds	Nov 19
Feb International	Nov 7
Framlington Overseas Income and Growth Fund	Nov 7
LCP	Nov 14
Land Securities	Nov 13
Leigh Interests	Nov 25
Outwich Investment Trust	Nov 11
Scantronic	Nov 14

Finals—

Arenson	Nov 8
Bellway	Nov 15
Concentric	Nov 12
Wemyss Investment Trust	Nov 7

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div	Times covered	Gross Yield	P.E. Ratio
95	F.P.	7/11	105	97	AMS Inds. 5p	105	+1	b51.21	8.0	1.7	17.0
—	F.P.	9/10	7	5	Bardsey Pfd. Ord.	7	..	—	—	—	—
—	F.P.	—	3	3	Do. warrants	3	..	—	—	—	—
185	F.P.	1/11	233	202	Britoil 10p	222	−8	t16.0	3.0	8.4	6.3
§90	F.P.	5/11	193	98	‡Colorgen Inc. $0.01	105	..	—	—	—	—
1 0	50	—	54	63	Cont'l. Assets Tst. 175p	64	..	—	—	—	—
§125	F.P.	8/11	135	125	‡C.P.M. 30	135	..	bg1.75	3.7	2.0	14.0
§88	F.P.	8/11	98	91	‡Cowells	93	..	bg2.6	2.6	4.1	18.4
160	F.P.	5/10	170	160	Davidson Pearce 10p	165	..	bg2.5	6.7	9.2	17.5
95	F.P.	—	109	109	‡Ealing Elctr-Optc 5p	109	+3	bg2.2	4.3	9.9	11.5
§75	F.P.	1/11	75	70	‡Electronic Data 5p	76	..	bg1.6	2.7	3.1	11.0
120	F.P.	18/11	110	104	Fairbriar 10p	105	−2	bg4.0	1.5	5.4	9.5
§72	F.P.	—	75	70	‡Gibbon Lyons 10p	70	..	bd3.2	—	7.2	11.8
§94	F.P.	30/10	98	78	‡InfraRed $0.10	85	..	Q8.15c	5.3	1.7	—
§62	F.P.	8/11	65	60	‡Just Rubber 10p	58	..	51.74	4.3	4.3	28.4
§57	F.P.	—	72	70	‡Metsec 10p	71	−1	bg24.6	—	4.6	12.0
§160	F.P.	25/10	187	165	‡Questel 10p	175	..	bg4.0	9.6	5.3	12.5
§95	F.P.	6/11	100	90	‡Radius 5p	95	..	bg2.66	3.1	4.0	11.9
¶530	F.P.	1/11	474	343	St. Ive's 10p	475	−8	bg8.0	9.2	2.4	19.6
§175	F.P.	22/11	192	180	‡Shandwick 5p	180	−5	u3.68	—	2.0	32.3
100	F.P.	22/11	100	97	Strata Invs.	100	..	—	—	—	—
**	F.P.	—	25	15	Vantage Secs. Wrrnts	24	−1	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price £	+ or −
87.605	£60	—	32⅞	29⅝	Australia 9½% Ln. 2012	31¼	−⅛
§91.448	£30	17/1	29¼	27½	Bank of Greece 10¼% Ln. 2010	29½	−⅛
¶¶	F.P.	—	110	100	Bremner 10% Cnv. Uns. Ln. 1995	110	....
‖	F.P.	26/11	151	110	Brit. Benzol 15% Conv. Uns. Ln. 1993	150	....
§96.456	£25	27/11	28¼	25⅜	Brixton Est. 10¾% 1st. Mort. Deb. 2025	28	....
§100	F.P.	28/11	100¼	100½	EastbourneWater 11.3% RedDeb.2005	100½	....
§98.624	£40	5/12	44¼	40½	Est. & Gen. Inv. 11¼% 1stMort.Deb.2018	43½	−¼
§97.517	£25	31/1	27¾	25¾	Evans of Leeds 11% 1st.Mort.Deb. 2025	27½	....
§99.97	F.P.	—	101½	100½	Hampton Tst. 11⅛% 1st Mtg Deb 2025	100¾	−¼
95.605	£25	—	26¼	25⅛	Haslemere 10½% 1st Mort. 2015	25⅝	....
88.466	£30	24/1	32½	29⅝	Intl. Bk. for Rec. & Dev. 9⅛% Ln. 2010	61½	−⅛
100	£50	13/11	60	46	Nat. Home Loans 8% Cnv. Uns.Ln. 2005	46	....
—	F.P.	—	100⅛	99⅝	Nationwide 11⅞% Bds. 15/9/85	99½	−⅛
—	F.P.	—	99⅛	99⅛	Do. 11¾% Bds. 20/10/86	99¼	....
§98.43	£25	21/2	25	25¼	Peachey Prop. 10½% 1st Mort. Deb. 2015	25	....
**	F.P.	99/11	115p	110p	Pittard 9½% Cum. Pref.	115p	....
§39.957	F.P.	—	40¼	40½	Safeway Deep Dis. Stepped Ln. 2011	40½	−⅛

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
55	F.P.	27/11	66	63	Brasway 10p	65	....
60	F.P.	31/11	88	75	Crowther (J)	89	....
165	F.P.	6/11	927	180	DRG	924	−1
100	Nil	—	66pm	28pm	Garfunkels' Rest. 10p	34pm	....
225	F.P.	6/12	663	280	ML Hldgs	345	−8

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. § Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 536 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

LADBROKE INDEX
1,066-1,070 (+7)
Based on FT Index
Tel: 01-427 4411

FINANCIAL TIMES STOCK INDICES

	Nov. 1	Oct. 31	Oct. 30	Oct. 29	Oct. 28	Oct. 25	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.83	83.22	84.04	85.64	85.80	84.04	84.57	78.02	127.4	49.18
Fixed Interest	89.67	89.64	89.52	89.48	89.59	90.02	90.58	82.17	150.4	50.53
Ordinary	1070.2	1069.1	1067.5	1061.3	1048.6	1050.2	1070.2	911.0	1070.2	49.4
Gold Mines	257.9	243.0	246.6	248.4	252.3	257.1	535.9	237.9	734.7	43.5
FT-Act All.Share	679.15	670.64	662.12	664.84	658.12	652.66	672.15	561.88	679.16	61.92
FT-SE100	1579.0	1577.2	1575.2	1364.4	1347.8	1347.5	1346.2	1206.1	1549.6	986.9

INTERNATIONAL APPOINTMENTS

New men for JAL

BY OUR FINANCIAL STAFF

THE JAPANESE Cabinet has approved the appointment of Mr Susumu Yamaji, aged 60, as president of JAPAN AIR LINES, the national carrier in which the state has an influential minority shareholding.

Mr Susumu is a former official of the country's Ministry of Transport, and succeeds Mr Yasumoto Takagi, 73, whose resignation followed the fatal crash of a JAL jumbo airliner in August.

It was confirmed in Tokyo that Mr Naoshi Machida, 67, is to step down as vice president. He will be replaced by Mr Matsuo Toshimitsu, 61, who is currently president of Nikko Shoji, a trading subsidiary of the airline.

Mr Machida had earlier been expected to assume the presidency at JAL, hut his departure is in line with a desire expressed by Mr Yasuhiro Nakasone, the Prime Minister, for thorough-going management changes. Last week he pointed to "sour" labour relations within the company as a possible contributory factor to the crash of the 747 which killed 520 people.

Mr Yamaji, a former head of the ministry's railway supervision bureau, has in the past served as adviser both to JAL and to Mr Nakasone.

A third appointment has been made from the private sector—that of Mr Junji Ito, 63, who is to assume a new post of vice chairman. Mr Ito is chairman of Kanebo, a textiles and consumer products group. Mr Nichehiro Hanamura will stay on as JAL chairman.

The changes are subject to formal ratification by the JAL board at a meeting on Wednesday, and to approval by a shareholders' meeting scheecdnelccccc holders' meeting scheduled for December 18, airline officials said.

Management succession at Harris Corporation

HARRIS CORPORATION has appointed Mr John T. Hartley, president and chief operating officer, to the post of president and chief executive officer. He will succeed Dr Joseph A. Boyd. Dr Boyd will remain chairman of the board. Mr Hartley's election as chief executive will become effective on April 1 1986.

Dr Boyd said: "I think this is an appropriate time to make known the company's plan for management succession." Elected a new member of the board is Mr Walter F. Raab, chairman and chief executive officer of A.M.P. Inc., who replaces Mr Richard B. Tullis, who has retired.

Swett & Crawford senior posts

SWETT & CRAWFORD GROUP, Los Angeles, said to the largest wholesale broker of commercial insurances in the US, has appointed as senior vice presidents: Mr P. Kenneth Nitz, Mr W. Dana Roehrig, Mr Warren S. Stanley, Mr Ronald D. Wartick, Mr Peter A. Wilkens and Mr Donald J. Tarrence. Mr John R. "Skip" Hartman was named president of the group's Appleton & Cox division.

Chairman for SIA nominated

The SECURITIES INDUSTRY ASSOCIATION, New York, has selected Legg Mason Inc chairman Mr Raymond A. Mason, as 1986 chairman.

First Boston Corporation chairman Mr Alvin Shoemaker and Merrill Linch and Co. Inc. president Mr Daniel Tully were named as vice chairmen.

Mr Mason succeeds Wertheim and Co. Inc. president Mr Robert Shapiro. Mr Mason has served as a director of the Association since 1982 and as a member of its executive committee since 1983.

Gold mining general manager

Mr Robert L. Zerga has been named vice president and general manager of Carlin Mining Company from December 1. As general manager, he will succeed Mr T. Peter-Philip who, earlier in October, was named group vice president of parent company Nemont Mining Corporation, New York. Mr Zerga has been manager of planning and development since August, 1984 at Magma Copper Company, a wholly-owned subsidiary of Newmont Mining Corporation.

MOVES IN BRIEF

Commercial director of Air-India

Mr H. K. Malik has been appointed commercial director of AIR-INDIA, based in Bombay. He joined Air-India as a junior officer in 1957. He subsequently became assistant manager, East Africa, in Nairobi; deputy manager, London Airport; assistant commercial manager, customer services (now known as the inflight services department); manager, Thailand, in Bangkok; commercial manager—cargo and deputy commercial director. Mr Malik was regional director, UK and Ireland, in 1980, and regional director, Europe, based in Geneva in 1982.

*

Dr Sidney L. Jones, US Under-secretary of Commerce for Economic Affairs, has become a senior adviser at the GOVERNMENT RESEARCH CORPORATION, Washington DC, a consulting firm specialising in the forecasting of US public policy for corporate and investment decision-makers.

*

CITIBANK has appointed Mr Simon Riggall as country corporate officer for Morocco. He succeeds Mr Christian Bartholin, who is transferring to Paris as general manager for commercial hanking at Campagnie Generale de Banque-Citibank. Mr Riggall was deputy head of the agri-business sector for Citibank in Europe, Middle East and Africa.

*

At IDEAL BASIC INDUSTRIES INC., Denver, Colorado, Mr John A. Love, chairman, and Mr Mayfield R. Shilling, vice chairman, have retired. The president and chief executive officer, Mr Michael I. Nelligan has assumed the additional post of chairman.

*

AMERICAN SHIP BUILDING CO., Tampa, Florida, has appointed Mr H. Allen Fernstrom as president and chief executive succeeding Mr George A. Chandler who is leaving the company to become president and chief executive of AQUA-CHEM INC. of Milwaukee. Mr Fernstrom was formerly chief operating officer and executive vice president of the company.

*

WESTIN HOTELS has appointed Mr William A. Godfrey as director of sales for The Westin Stamford and Westin Plaza, Singapore, and for the Raffles City Convention Centre which will be fully operational next year.

*

Mr Jean-Paul Parayre has been appointed to the TOUCHE REMNANT international advisory board. He is presently director general of DUMEZ and was previously president of the executive board of Peugeot.

INTERNATIONAL MANAGEMENT INSTITUTE, Geneva, one of Europe's leading schools of business management, has appointed Dr Juan F. Rada as deputy director. He has been named director, to assume duties in October, 1986, when the cur-director retires. Dr Rada currently holds the chair of socio-economic affects of advanced technologies at IMI. Dr Bohdan Hawrylyshyn, current director, retires next year.

*

Mr Brian J. Fabbri, formerly senior economist of Salomon Brothers Inc, has joined THOMSON McKINNON SECURITIES INC, New York, as chief economist/investment strategist.

Changes at Asarco

ASARCO INC, New York, has elected Mr Richard Osborn as chairman and chief executive officer, from December 1. He will continue as president and will succeed Mr Ralph L. Hennebach, who will retire on November 30, but will remain a director. MIM Holdings chairman Sir Bruce Watson and former MIM chairman Sir James Foots were elected to the board. This follows MIM's purchase of 4,245,800 Asarco common shares from Weeks Petroleum, increasing its holding to 32.4 per cent.

*

Mr Donald W. Griffin has been named president of the Winchester Group of OLIN CORPORATION and Mr James G. Hascall has been appointed president of the Brass Group. Both will continue at Brass and Winchester group headquarters in East Alton, Illinois. Mr Griffin succeeds Mr H. E. "Gene" Blaine who has retired. Mr Hascall, formerly vice president for manufacturing of the Brass Group, succeeds Mr Griffin.

*

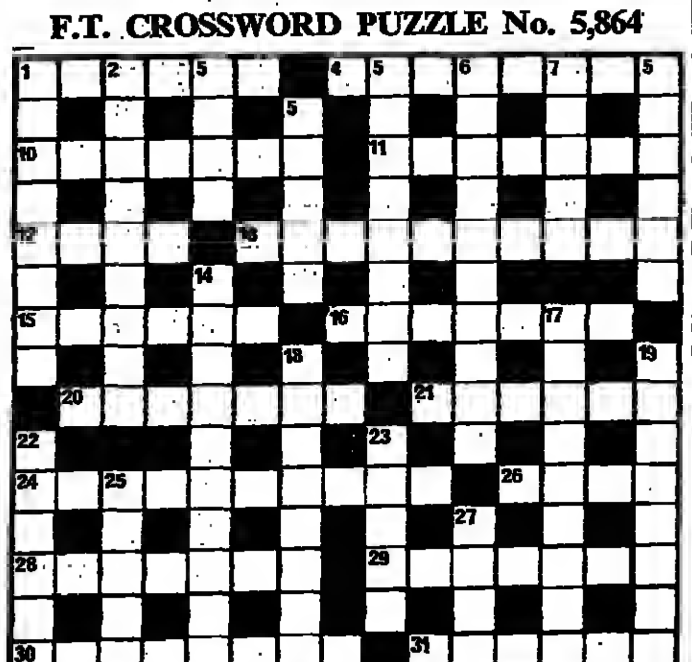
GENERAL INSTRUMENT CORPORATION, New York, has elected Mr Gerard G. Johnson to vice-president finance and chief financial officer. He replaces Mr Paul N. Meyer who has resigned to pursue other business interests. Mr Johnson has been vice president, treasurer and assistant secretary since 1982.

*

Mr Jack L. Gordon and Mr John R. Parry have been elected vice presidents of NEWMONT MINING CORPORATION. Mr Gordon will be responsible for development of new business in construction and industrial minerals at Newmont. Mr Gordon was president of Atlantic Cement, a Newmont subsidiary, from 1979 until it was sold in May.

*

F.T. CROSSWORD PUZZLE No. 5,864



ACROSS

1 Up-to-date design centre (6)
4 Continues to make money (8)
10 Subordinate theme (7)
11 Inn and café making money (7)
12 Producers of light skates? (4)
13 Dominant reason for saddle-soreness (10)
15 I'm getting information about love from her (6)
16 Horsefly? (7)
20 Unusually angered and upset (7)
21 He advises the hands to get a rise (6)
24 Is she higher than a footman? (10)
26 Skills he requires to make a suit (4)
28 How Shakespeare wrote or just the opposite (7)
29 Frankness and love seen in a dog (7)
30 Not in one's own interest (8)
31 Fly from a mixed double set (6)

DOWN

1 Control shown as others fall (8)
2 Snug quarters for young foxes? (5-4)
3 You want to be in it (4)
5 Shaped up again—to a more moral life? (8)
6 Potential MPs outspoken over unsettled seat (10)
7 Num that is upset by lack of interest (5)
8 Transport left in plant (6)
9 Two ways to break in (5)
14 One all a-flutter about Real Madrid (3, 7)
17 Above all, an absolute majority is required (9)
18 A most unfair condition (8)
19 Soft substitute for jam (8)
22 So rich a blend of voices (6)
23 The length a boxer will go to (5)
25 Book for a boy about five (5)
27 Responsibility we can't avoid? (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Corporate business manager for TSB

TSB ENGLAND & WALES has appointed Mr Kelvin Mills as general manager responsible for all corporate business activities within the bank. The bank says this demonstrates its commitment to expansion in the commercial banking sector. Mr Mills joins TSB England & Wales after 37 years with Barclays Bank, where he has most recently been responsible for all major lending outside London. Prior to this he held a number of senior positions, including executive director of Barclays Merchant Bank.

*

Mr Rolf Hallberg has joined the board of ENSKILDA SECURITIES. He is an executive vice president of Skandinaviska Enskilda Banken and a special adviser to the management group of Enskilda Fondkommission, the new domestic investment banking unit of Skandinaviska Enskilda Banken and a director of Euroclear. He was first chairman of the Association of International Bond Dealers (1969-73) and chairman of Euroclear (1972-76).

*

COUNTY BANK INVESTMENT MANAGEMENT has appointed Mr David Hager as a director. He was previously a partner at actuaries Bacon and Woodrow and was chairman of CAPS (Combined Actuarial Performance Service). His main responsibility with County Bank Investment Management will be for gilt edged portfolio strategy.

*

Mr Julian Brown is joining J. HENRY SCHRODER WAGG & CO. as an assistant director and as head trader for straight bond trading in the primary market and bond trading unit. He joins from SG Warburg & Co., where he was senior general manager in the bond trading department.

*

CALEDONIAN LEISURE, tour operating arm of the Caledonian Aviation Group, has appointed Mr Alvin Morris as director and general manager of its Manchester-based operation, Arrowsmith Holidays. Arrowsmith was acquired by Caledonian in September. Mr Morris was aviation director. In a restructured management team, Mr Don Hirst is sales and marketing director. He joined Arrowsmith two years ago from Travelscene. The third Northern-based director is Mr Jim McVerry, overseas director, who has been with Arrowsmith for 14 years.

*

Mr John Brooman has been appointed a non-executive director of HUGIN GROUP. He was chief operating officer of the Black & Decker Manufacturing Company in Maryland, US, from 1977 to 1981 and remains a consultant, as well as chairman of Black & Decker Group Inc., the UK holding company. Mr Brooman is chairman of Freemans, a director of BSR (UK), and chairman of the advisory committee of the First Maryland National Bank in London. Hugin Group is the holding company of Hugin Sweda International.

*

Mr David Jacobs has been appointed managing director of THE NORWICH BREWERY COMPANY. He moves to Norwich from London where he was managing director of the Special Beer Company—both companies are part of the Watney Mann and Truman Brewers group.

*

Dr P. Doyle, currently research and development director of ICI plant protection division, has been appointed deputy chairman and technical director of ICI pharmaceuticals division, from January 1 1986. He will succeed Dr W. A. M. Duncan who is to become chief executive of Coopers Animal Health.

*

Mr C. J. Baker has joined the board of DEWEY WARREN HOLDINGS as a non-executive director. Mr Baker is the chairman of Leicester Alliance Building Society and the Pension Funds Property Unit Trust.

*

Mr L. P. Rose has been appointed group treasurer of C. T. BOWRING & CO., on the retirement of Mr P. H. Wiggins.

*

Mr Peter Martin has been elected president of the BACON AND MEAT MANUFACTURERS' ASSOCIATION. He is chairman of W. A. Turner. He succeeds Mr Jim Shippam, chairman of C. Shippam. Mr Martin is also chairman of the Meat Products Promotion Advisory Panel of the Meat Promotion Executive.

*

LADBROKE GROUP has appointed Mr Jerry F. O'Mahony head of corporate finance, carrying overall responsibility for the group treasury, accounting, taxation, internal audit, profit planning and purchasing functions. Mr O'Mahony joined Ladbroke as group financial controller in 1979 from Ellerman Group and was formerly with UDT Industries.

*

Mr Graeme A. Elliott has been appointed an executive director of SLOUGH ESTATES. It is intended that he be appointed executive vice chairman in 1986 when Mr Wallace Mackenzie, group managing director, retires.

*

Mr Matthew Fort joins McAVOY WREFORD BAYLEY on November 4 as creative director. He was creative director of Grandfield Rork Collins Financial. MWB is a wholly-owned subsidiary of Valin Pollen International.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE   Dlg. 01-236 3885

International Growth	95.8	102.0	+1.5	2.00
Income & Growth	43.9	46.4xd	-0.5	3.20
Special Situations	53.0	56.4	+0.2	1.40
American Growth	26.0	27.7	+0.1	1.10
Japan Growth	33.7	35.9xd	+0.3	—
European Growth	41.0	44.7	+0.7	3.30
UK Growth	41.3	44.2	+0.1	—
Pacific Growth	31.9	34.1	+0.2	1.80
High Income	28.1	30.1xd	-0.1	7.40
Practical Income Units	42.7	45.3xd	+0.2	3.1
Practical Accum. Units	76.8	81.8xd	+0.3	3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB.   01-405 8441

Pearl Growth Fd.	67.6	71.9	+0.1	3.06
Accum Units	99.2	105.5	+0.2	3.06
Pearl Inc.	95.2	101.3xd	+0.3	4.85
Pearl Unit Tst.	100.8	107.2	+0.3	3.33
(Accum. Units)	170.3	181.2	+0.5	3.33

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames.   0491 576868

Growth	202.7	217.5	+2.2	1.52
Income	150.1	160.8xd	+0.9	5.41
Worldwide Recovery	114.5	122.5	+1.1	2.15
American Growth	53.6	57.5	+0.2	1.11
Intl. Emerging Cos.	60.6	65.1	+0.6	0.71
Far East Growth Fd.	50.8	54.5	+0.8	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2.   01-247 7544/7

Prolific Far East	109.2	117.0xd	+1.3	0.19
Prolific Extra Inc.	66.1	70.3xd		5.70
Prolific Convert & Gilt	83.4	88.4xd	+1.2	7.02
Prolific High Inc	141.2	150.2xd	+0.3	4.97
Prolific Intl.	84.6	90.6xd	+0.1	1.03
Prolific N. Amer.	109.5	117.3xd	+0.5	2.39
Prolific Spec. Sits	156.9	166.9	-0.4	1.56
Prolific Technology	94.7	11.5	-0.1	0.82

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG.   01-749 9111

Japan Inc	52.2	55.3		—
Japan Acc	52.6	55.7	+0.2	—
Worldwide Inc.	51.6	54.9xd	+0.3	2.30
Worldwide Acc.	52.3	55.4	+0.2	2.30
European Trust	60.5	64.1	+1.1	1.21
North American	45.8	48.5	-0.1	2.42
UK Equity	54.3	57.5	+0.2	3.70

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL   01-478 3377

Holborn Equity Tst	338.7	360.3xd	+0.7	3.37
Holborn European Trust	51.8	55.1	+0.6	1.08
Holborn Gilt Tst.	158.	165.2	-0.1	8.62
Holborn High Inc.	57.7	61.3xd	-0.2	6.94
Holborn Intl Growth.	65.6	69.7	+0.4	0.76
Holborn Japanese Trust	51.9	55.2	+0.5	0.06
Holborn N. Amer. Trust	49.2	52.3	-0.1	2.27
Holborn UK Growth	67.8	72.1	+0.1	3.06

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2.   01-600 4177

Quadrant Gen. Fd.	334.4	355.8xd	...	2.55
Quadrant Income	190.6	202.8	...	5.58
Quadrant Intl. Fund	298.8	314.6	...	1.53
Quadrant Spec. Sits.	202.7	215.6xd	...	2.66

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV   01-628 6011

Wellington Inc.	54.2	57.7xd	...	6.00
Wellington Growth	110.7	117.8xd	...	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent.   0892 22271

British Life	137.9	148.3xd	+0.4	4.05
Reliance Unit Tst (Inc)	89.0	95.1xd	+0.1	4.02
Reliance Ut Tst (Acc)	116.8	124.8	+0.1	4.02

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF.   061-236 5685

Income UT	100.0	107.0	...	6.32
International UT	209.5	224.1	...	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4.   01-280 5456

NC America (Inc)	220.5	232.1	+0.5	1.43
NC America (Acc)	237.2	249.6	+0.6	1.43
NC Engy Res. Tst.	157.4	165.6xd	-1.5	2.38
NC Inc Fd.	73.1	76.9xd		8.60
NC Japan Fund	111.9	122.0	-0.7	0.02
NC Smaller Cos	114.8	120.8	+0.1	1.96
NC Smaller European	112.9	118.8	+1.2	0.74
NC Ex Gilt Tst Oct 11	6120	125	.	F.0
NC American Prop*	$11.57	12.18xd	...	—
NC Prop.*	179.1	196.7	...	—

*Unauthorised Unit Trusts.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks.   0732 450161

Equity Dist.*	279.9	292.6	...	4.07
Equity Acc.*	261.0	276.1	...	4.07
Fixed Inc. Dist.†	119.6	125.9	...	10.91
Fixed Int. Acc.†	168.8	174.9	...	10.91

*Prices on Oct 9. Next dealing Nov 13.
†Prices on Oct 2. Next dealing Nov 6.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-1

TSB American	90.6	96.4	...	1.35
Do. Accum.	94.2	100.3	-0.1	1.35
TSB Extra Income	88.6	94.3	+0.6	6.00
Do. Accum.	101.9	108.5	+0.3	6.00
TSB General	128.F	136.9	-0.5	3.20
Do. Accum.	208.5	221.8	+0.8	3.20
TSB Gilt & Fxd Int.	47.0	49.0xd	...	9.07
Do. Accum.	58.9	61.4		9.07
TSB Income	177.0	189.2	+0.2	4.71
Do. Accum.	262.2	285.4	+0.4	4.71
TSB Pacific	106.4	113.2	+0.5	0.43
Do. Accum.	109.0	116.0	+0.3	0.43
TSB International	233.6	248.6xd	+1.4	2.06
Do. Accum.	286.6	304.9	+1.7	2.06
TSB Natural Resources	42.3	40.0xd	-0.5	2.05
Do. Accum.	43.1	45.9	-0.5	2.05
TSB Sized. Opps.	49.2	52.4xd	...	2.12
Do. Accum.	53.5	57.0	...	2.12

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP   01-928 3356

Small Co's Fund	66.9	70.7xd	-0.3	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks   (0296) 5941

American Eagle	63.7	68.1	...	0.61
Australia	32.0	34.1	-0.5	0.10
Commodity	61.6	67.7	-1.3	1.94
Energy	38.6	41.3	-0.2	2.23
Equity	108.4	115.6	+0.2	3.40
European Spec. Sits.	64.2	68.7	+0.9	1.15
Extra Income	94.5	101.1	...	7.09
Financial	219.2	235.8xd	-0.1	2.33
Gilt Capital	225.1	235.1	-0.2	3.25
Gilt Income	101.5	106.5	-0.2	8.40
Gold Income	50.0	54.3xd	-2.5	1.70
Gold Acc.	92.5	98.9	-4.5	1.78
Income	67.1	72.1		5.44
Japan	50.4	53.8	+0.3	0.10
Malaysia & Singapore	22.7	24.2		0.93
Pacific Income	65.0	69.5	+0.4	0.39
Pacific Re Inv.	79.7	85.2	+0.5	0.39
Preference Share	16.3	17.6xd	...	4.93
Special Sits	78.8	84.3		1.03
Technology	37.5	40.1	+0.1	0.10
UK Capital	54.5	58.1xd	+0.3	1.89
U.S. Special Bond	47.F	51.0xd	-0.1	6.51
Worldwide Capital	114.3	121.9	+0.3	2.03
Equity Exempt Oct 29	657.3	701.1	...	2.28
Equity Ex Acc Oct 29	1,208.3	1,288.8	...	2.28

Temple Bar Unit Tst Mngrs Ltd see under Guinness Mahon

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4.   01-248 1250

TR American Growth	26.7	28.8	...	1.01
TR General Growth	44.3	47.7	...	3.03
TR Global Tech.	27.0	29.0xd	+0.1	0.30
TR Income Growth	49.5	53.3	+0.1	5.00
TR Income Monthly	41.5	44.0	...	7.20
TR Japan Growth	23.8	25.3	...	0.10
TR Overseas Growth	32.1	34.4xd	+0.3	1.66
TR Smaller Cos	46.3	49.3xd	.	2.18
TR Special Ops	49.0	52.7	...	1.94

Trades Union Unit Trust Managers
100, Wood Street, EC2.   01-628 8011

TUUT Nov 1	143.5	151.3xd	+13.4	3.64

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford.   0245-51651

Colmeco Oct 25	371.2	388.2	+6.5	4.00
(Accum. Units)	605.4	633.2	+10.6	4.00
Fielding Fd Oct 31	207.3	218.3	...	3.61
(Accum. Units)	227.0	239.0	...	3.61
Fielding Inc Oct 31	146.6	154.4	.	5.38
Fidng AM&Gen Oct 31	187.3	197.2	...	1.35
(Accum. Units)	210.6	221.7	...	1.30
S&W American Oct 30	123.0	130.0	.	1.98
S&W Smlr Secs Oct 30	99.3	104.6	...	0.83

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol.   0272 732241

Australian Securities	62.0	66.4	-1.7	1.20
(Accum. Units)	61.7	68.2	-1.8	1.20
Capital	273.3	289.9xd	+0.7	3.98

Allied Dunbar Assurance PLC
Allied Dunbar Ctr, Swindon SN1 1EL.   0793 28291

Fixed Int. Dep. Acc.	209.5	220.6	...	—
Equity Acc.	528.4	556.3	.	—
Property Acc.	306.9	323.1	...	—
Far East Acc.	102.5	107.9	..	—
Managed Cap.	276.3	290.9	...	—
Managed Acc.	468.1	491.2	...	—
O'seas Earnings Acc.	348.3	366.7	.	—
Gilt Edged Acc.	245.1	258.0	.	—
American Equity Acc.	293.0	309.5	.	—
American Man. Acc.	146.2	153.9	.	—
American Prop Acc.	121.2	127.6	.	—
Pen. F.I. Dep.Cap.	230.0	242.2	...	—
Pen. F.I. Dep.Acc.	347.2	365.5	...	—
Pen. Prop. Cap.	372.3	391.9	..	—
Pen. Prop Acc.	620.4	653.5	.	—
Pen. Man. Cap.	544.6	573.3	.	—
Pen. Man. Acc.	907.0	954.8	.	—
Pen. GiltEdg.Cap.	252.7	266.0	.	—
Pen. Gilt Edg. Acc.	343.9	362.1	.	—
Pen. Dp. Cap.	849.9	894.7	..	—
Pen. Eq. Acc.	1072.7	1129.2	.	—
Pen. Am. Eq Cap.	113.5	119.5	.	—
Pen. Am. Eq Acc.	120.8	127.2	.	—
Pen. Far East Cap.	114.5	120.6	.	—
Pen. Far East Acc.	121.4	128.6	.	—
Pen. B.S. Cap.	241.0	253.1	.	—
Pen. B.S. Acc.	354.0	371.7	.	—
Pen. D.A.F. Cap.	193.5	193.5	.	—
Pen. D.A.F. Acc.	253.2	253.2	.	—
Pen. Mortgage Cap.	108.6	114.4	.	—
Pen. Mortgage Acc.	115.7	121.8	...	—

Ambassador Life Ass. Co. Ltd.
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc.	104.4	109.9	...	—
Equity Fd Cap.	98.4	103.6	...	—

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7.   01-534 5544

Barclaybond	300.3	316.2		—
Equity Accum.	353.6	372.3		—
Do. Initial	319.2	336.1		—
Gilt-edged Accum.	190.F	200.8		—
Do. Initial	173.8	183.0		—
International Acc.	202.2	212.9		—
Do. Initial	181.6	193.3		—
Managed Acc.	255.0	268.3		—
Do. Initial	232.4	244.7		—
Money Acc.	164.5	173.2		—

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE   01-242 0282

Life Funds

Managed Fund	494.3	520.3	...	—
Equity Fund	561.1	590.6	...	—
International Fund	187.5	197.3	...	—
Fixed Interest Fund	167.8	176.6	...	—
Property Fund	119.9	126.2	...	—
Index Linked Fund	109.9	115.6	..	—
Cash Deposit Fund	120.3	126.6	.	—
PIP Fund	1,511.5			

Individual Pension Funds

Personal Pens Managed	292.7	308.1	..	—
Stadigard Managd Pen	292.7	308.1	..	—

Group Pension Funds

Group Mngd Pension		778.9		—
Equity Pension		1,243.0	.	—
International Pension		241.9	...	—
Fixed Interest Pension		632.7		—
Property Pension		420.4		—
Index Linked Pension		121.5	.	—
Cash Deposit Pension		160.3	.	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN   01-680 5225

Equity Acc.	251.2	264.5	+4.5	—
Property Acc.	238.1	250.7	+20.0	—
Int Acc.	176.7	186.1	-4.5	—
Managed Acc.	219.5	231.1	+1.3	—
Spec Sits Acc.	184.8	194.6	+4.3	—
Investment Tst Acc.	106.0	111.6	+1.3	—
Pen Int Acc.	186.6	196.5	-6.9	—
Pen Prop Acc.	304.3	320.3	+1.9	—
Pens Equity Acc.	374.1	394.2	+7.4	—
Pen Mngd Acc.	242.5	255.3	-2.1	—
Pens F A = Man Acc.	103.6	109.1	+0.5	—
Pens Inv Trust Acc.	124.7	131.3	+2.6	—

Prices for other funds available on 01-577 8682

Cornhill Insurance PLC
57 Ladymead, Guildford.   0483 68161

Equity Fd Oct 23	197.0	207.5	...	—
Fixed Int Oct 23	152.5	161.0		—
Man Growth Oct 30	416.5	438.5	.	—
Money Fd Oct 23	133.0	140.0	.	—
Cap Fd Oct 15		304.0	.	—
G.&S. Spec. Fd Oct 15		129.5	.	—
Far Eastn Eqty Oct 23	113.0	121.5		—
N. Amer Eqty Oct 23	99.5	105.0		—
Int'l Technlgy Oct 23	85.5	90.0	.	—
Property Oct 23	124.5	131.5		—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV .... $13.12 | +0.19 | —

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. .... $11.40 | | —
Inv. Adv.: M. & G. Inv. Mngt. Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech .... $13.47 | | —
Dynamic Grwth Fd .... $9.98 | | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.15		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	11.45	8.56	12.24	Mth
7-day Fund	11.56	8.64	12.63	Mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fund	11.40	8.50	12.44	6-Mth
7-day Fund	11.06	8.27	12.26	6-Mth
Dollar	7.00		—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq. Edinburgh, EH2 4DF			031-225 8484	
Full Service Chq Acc	11.25	8.00	11.78	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	11.00	8.23	12.11	Qtr
Hgh. Int. Chq.	11.000	8.23	12.19	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-283 9111	
HIBCA	11.50	8.60	12.78	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 253891	
High Int. Cheque	11.0	8.25	12.32	Qr
Britannia Investment Services Ltd.				
74-78 Finsbury Pavement, EC2A 1JD.			01-588 2777	
Cheer Allen	11.00	8.22	12.28	Mth
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	11.15	8.35	12.34	Mth
U.S. Dollar	7.25		7.50	Mth

NOTES—Prices are in pence unless otherwise indicated... A Offered prices exclude all expenses. B Today's prices. A Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase ad ex dividend

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	15
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	45
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Nov.	Macfarlan (P & W) 20p	45	30.9	†1.7	2.3	5.4	9.3
Oct.	May	Magnolia Group	74	16.9	2.6	3.0	5.0	9.0
—		Mannest Hldgs 10p	46	—	—	—	—	73.5
April		Man. Ship Can. £1	515	25.2	5.5	3.5	1.5	27.1
Oct	May	Marley	104	2.9	3.75	2.2	5.2	12.6
Jan	Oct	Marling Ind. 10p	80	29.7	d1.5	5.1	2.4	11.3
Dec	June	Marshall L'xy. 'A'	76	30.9	†2.4	4.9	4.5	5.5
Jan.	July	Marshall's Universal	500	28.10	72.0	1.4	4.9	(18.4)
June	Dec	Do. 7½pcCnRedPf £1	83	1.7	7½%	—	12.9	—
—		Mathesons 7¼%	£99	30.6	Q7¼%	2.3	18.0	—
—		Maxiprint 1p	16	—	—	—	—	—
Jan.	June	Metal Box £1	348	17.6	17.25	5.1	4.5	8.2
Nov.	June	Metal Closures	116	16.9	6.7	2.0	8.3	7.2
—		Metal Sciences 2½p	7½	—	—	—	—	—
July	Jan	Midland Marts	80	1.7	4.0	2.1	7.2	9.4
Jan	May	Mitchell Cotts	83	25.3	4.25	◆	7.5	◆
Jan.	July	Morgan Crucible	204	29.4	†8.0	1.6	5.7	13.9
May		Morris (W) F.A. 20p	25	—	g0.5	◆	2.9	◆
Jan.	Aug.	Moss (Robt.) 10p	125	3.6	3.0	2.5	3.4	13.8
July		Myson Grp 10p	63	13.5	g2.5	3.4	5.8	11.8
Nov	June	NMW Computers	270	14.10	†h4.8	2.7	2.5	20.8
Mar.	Sept.	Nash Inds.	30	14.1	‡2.5	1.5	‡	6.9
Oct.	April	Neil & Spencer 10p	18	3.81	◆	—	—	5.4
Jan	July	Newman Inds 10p	28	14.10	20.9	—	1.5	(13.2)
April	Oct	Nolton	44	29.7	t1.17	◆	3.8	◆
Jan.	Aug	Norcros	212	15.7	8.6	2.2	5.8	10.6
Oct.	April	Nu-Swift 5p	51	14.10	†3.0	1.9	8.4	8.3
Feb.	Aug.	Oakwood Grp.	103	15.7	†t4.5	1.4	6.2	(15.1)
Dec	July	Office & Elect	212	28.10	†7.5	2.6	5.1	10.9
October		Oldacre 20p	92	12.8	4.0	2.6	6.2	8.2
—		Optometrics $0.01	43	—	—	—	3.6	—
May	Nov	Oriflame £1	450	30.9	†23.4	1.8	5.2	10.7
Jan.	June	Ovenstone 12½c	6	3.6	g03.23c	1.9	14.0	3.7
May	Nov	Ozalid 9pc Cnv 87-92	£200	15.4	Q9%	—	—	—
December		PCT Grp 10p	105	1.7	3.2	2.2		12.7
April		PLM 'B' Sk 25	950	3.4	[illegible]	5.0	4.9	41.1

[illegible]

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Central TV N/V 50p	287	30.9	10.5	2.3	7.2	[illegible]
		Chrysalis	235	28.10	5.6	2.6	3.4	[illegible]
October		Entertain Prod 5p	25	16.9	bd2.25	2.1	21.4	[illegible]
Feb.	June	Fairline Boats 10p	78	17.6	†2.65	2.6	4.8	[illegible]
Apr.	Oct.	First Leisure £1	390	16.9	†6.5	2.8	2.4	[illegible]
—		GRA Group 5p	64½	—	—	—	—	[illegible]
Jan	June	Grampian TVA 10p	29	13.5	b1.67	◆	8.2	[illegible]
May	Oct.	HTV Non/Vtg.	160	14.10	7.7	2.9	6.9	[illegible]
May	Oct.	Horizon	83	2.9	◆4.4	3.6	7.6	[illegible]
Dec	June	Insight	160	16.9	◆12.5	6.5	2.2	[illegible]
Jan	Aug	Intl Leisure 10p	112	29.7	4.5	3.1	6.1	[illegible]
Nov	June	Juliana's Hldgs. 2p	105	14.10	†2.0	1.8	2.4	[illegible]
Jan	April	LWT	285	15.4	14.4	2.3	7.2	[illegible]
—		Leisure Inv 10p	33	—	—	—	—	[illegible]
Jan	July	Leisuretime Int 10p	54	12.8	†2.1	3.9	5.6	[illegible]
—		Lewmar	110	—	s2.63	3.0	3.4	[illegible]
14.2		Media Tech Int 20p	163	16.9	q2.58	5.4	2.3	[illegible]
Apr.	Dec.	Medminster 10p	163	13.3	5.35	◆	4.8	[illegible]
Oct	May	Miss World 10p	233	2.9	3.6	4.3	2.2	[illegible]
May		Nationwide Leisure	71	16.9	13.75	2.5	7.5	[illegible]
—		Nimslo Int 20c	15½	—	—	—	—	[illegible]
July		Owners Abroad	22½	29.4	1.0	2.2	6.4	[illegible]
—		Photax (Lon.)	44	4.82	—	—	—	[illegible]
April		P'dilly Radio N/V 5p	19½	12.8	1.87	1.1	13.7	[illegible]
December		Pineapple Dnc St 10p	47	24.12	d1.5	1.2	4.6	[illegible]
Sept.	Apr.	Pleasurama 5p	323	2.9	†t4.6	3.7	2.0	[illegible]
Sept.	Mar.	Do. 7pcCvCmRedPf	157	12.8	7%	—	6.4	[illegible]
May		Pres Entertain 50p	86	14.10	t2.0	2.1	3.3	[illegible]
Feb-July		Radio City 'A' NV	20	10.12	‡5.6	0.4	‡	[illegible]
Jan	July	Radio Clyde N/V	48	3.6	3.25	2.0	11.6	[illegible]
—		Riley Leisure 10p	44	10.84	‡0.7	—	‡	[illegible]
Apr.	Nov	Saga Hols. 20p	180	12.8	†4.0	2.1	3.2	[illegible]
Apr	Nov	Samuelson Grp 20p	285	14.10	1.8	6.0	0.9	[illegible]
Jan	July	Sangers Photo 10p	34	28.10	2.0	1.9	8.4	[illegible]
July		Scantro 50p	137	13.5	g3.68	2.6	3.9	[illegible]
Dec.	May	Scott. TV 'A' 10p	198	28.10	†8.8	2.8	8.0	[illegible]

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Centennial Min'ls.	262	—	—	—	—
—		Colby Res Corp.	65	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	200	15.7	gQ86½c	3.9	11.5
—		Eanes Int. fr10p	38	—	—	—	—
—		Greenwich Res.	95	—	—	—	—
Apr	Oct	Hampton Areas 10p	130	29.7	3.75	0.9	3.9
—		Highwood Res.	145	—	—	—	—
May	Aug	Homestake Mining $1	£35¼	30.10	Q20c	—	0.9
—		McFinley Red Lake	200	—	—	—	—
—		Musto Explorations	225	—	—	—	—
—		New Sabina Res C$1	45	—	—	—	—
—		Northgate C$1	205	9.77	—	—	—
Jan.	July	RTZ	545	28.10	†20.0	2.8	5.2
Jan	July	Do. 9½pcLn '95-2000	£123	28.10	Q9½%	14.0	17.9
—		Tara Explo $1	900	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ◆ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-	Stock	Price	+/-
Albany Inv 20p	96	......	Arnotts	228	+3
Craig & Rose £1	700	......	CPI Hldgs.	63	——
Finlay Pkg. 5p	54	......	Carroll Inds.	139	——
Higsons Brew	235	......	Dublin Gas	65	——
Holt (Jos) 25p	715	......	Hall (R. & H.)	60	——
IoM Stm. £1	84	−1	Heiton Hldgs.	21	——
IRISH			Irish Ropes	46	——
Fund 11¼% 1988	£101	——	Unidare	112	——
Nat. 9¾% 84/89	£96½	——	For Jacob (W. & R.) see Foods		
Fin. 13% 97/02	£105½	——			

"Recent Issues" and "Rights" Page 22
(International Edition Page 22)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

INSURANCE

Upheaval in marketing on the way

BY ERIC SHORT

THE SHAPE of the system which will regulate the City and supervise the protection of investors was last week revealed by Sir Kenneth Berrill, chairman of the Securities and Investments Board, the body provisionally set up as overall watchdog.

Most attention was focused on investment, with various Self-Regulatory Organisations (SROs) to handle day-to-day supervision, and on the several investment exchanges that will operate under the SROs.

Much less attention was devoted to the marketing of investments. Yet the formation of the two main marketing SROs—the life assurance and unit trust SRO (Lautro) and the Life and Unit Trust Intermediaries Regulatory Organisation (Lutiro)—will revolutionise the system of marketing life assurance and unit trusts in the UK.

Such a development may be less glamorous than those on the investment side. But it involves far more people, with tens of thousands involved in marketing life assurance and unit trusts to the public.

This marketing covers many activities. At one end, there are the agents of the home service insurance companies calling at the homes of policyholders to offer a variety of life products, including industrial life business with its comparatively small premiums paid weekly or four-weekly.

At the other end of the spectrum are the sophisticated financial and tax planning consultants providing a complete range of investment advice to upmarket clients, in which life contracts and unit trusts play an important role.

This hotchpotch of sales people and organisations has no overall official supervision. Registered insurance brokers are controlled by the 1977 Insurance Brokers (Registration) Act.

Some intermediaries are members of the National Association of Security Dealers and Investment Managers (Nasdim), another of the proposed SROs, and are controlled by its rules. But most people in life marketing are free from central control.

All this will now change, and all salesmen will now come under supervision in two ways.

First, through the SROs, all independent intermediaries will come within the orbit of Lutiro, while Lautro will cover direct-selling employees and tied agents of life companies and unit trusts.

This control will be exercised through the businesses being authorised by the SROs and the business will be responsible for its employees.

Second, all individuals will be required to obtain a licence before being allowed to sell life contracts or unit trusts. Misconduct could result in the loss of the licence and the right to sell life assurance and unit trusts.

The Office of Fair Trading has expressed its doubts whether an individual licensing system is necessary in addition to the SROs.

The establishment of Lutiro, which held its inaugural meeting on Thursday, will mean that all independent intermediaries will be subject to controls similar to those imposed on registered insurance brokers under the 1977 act.

This act makes insurance brokers conform to minimum standards of expertise and financial control and imposes a code of business conduct on them when dealing with clients.

However, as a means of protecting investors, the act was less than a success, since intermediaries could avoid it by trading under a different name.

The British Insurance Brokers' Association has been campaigning for years for all insurance intermediaries to be brought under similar controls. Now this appears likely to happen.

Lutiro is being developed under the aegis of the Insurance Brokers Registration Council, the body which administers the 1977 Act. Its chairman, Mr Henry White Smith, is also chairman of the registration council. Details of Lutiro's council will be announced shortly.

It seems a fair assumption that the IBRC standards will be applied to Lutiro and imposed on all independent intermediaries. These will thus require adequate expertise, proper financial control and sufficient professional indemnity cover.

There will be considerable work for Lutiro harmonising its proposals with the 1977 Act and with the other SROs which affect marketing, Lautro and Nasdim.

Sir Kenneth Berrill: classified tied agents

Many intermediaries selling unit trusts are members of Nasdim. This requirement will no longer be necessary under Lutiro, though membership is still likely to be necessary if the intermediary transacts investment business beyond life assurance and the unit trusts.

The other big problem that arises under the new system concerns the role of the tied agent. The announcement from Sir Kenneth Berrill classifies tied agents along with direct-selling company employees and brings them within Lautro's orbit.

However, the tied agent concept, which has only developed over the past decade or so, is very much a hybrid between the direct employee and the independent intermediary, with the tied agents themselves claiming to be independent. The current framework has trouble fitting in hybrid operations.

Under the original concept, an agent tied himself to a life company, invariably a unit-linked company, and placed with that company all his business that the company was able to write. However he did not become an employee of the company.

In return, the agent received help from the company in addition to commission payments. This took the form of free office accommodation, computers, secretarial assistance and even free stationery, with the prospect of an annual sales conference in some exotic overseas location for top producers.

As years have gone by the tied agent has acquired considerable power over the life company anxious to retain his services and many have made full use of that power. The 100 per cent-tied concept has been modified.

Now, many agents are only required to give a substantial part of their business to the tied company in order to get the financial help, and can broke the rest. Other agents have formed ties with more than one company.

So more and more tied agents are claiming to offer an independent service to the public, while still remaining tied. This development has upset direct employees, caused concern to the life companies and infuriated insurance brokers.

This could change under the new system. The SROs are not geared to deal with hybrids, and the Lautro brief envisages tied agents being tied to just one company, which will accept responsibility for all business placed by the agent, including business placed with other companies.

This gloomy outlook for the future of tied agents is in complete contrast to the reception given to the original White Paper on investor protection which was dubbed a "tied agents charter" because of its proposals on commission disclosure.

The fears of the dominance of tied agents were reinforced when earlier the Marketing of Investments Board organising committee was formed under the chairmanship of Mr Mark Weinberg, who developed the tied agency concept in the UK. This committee was formed to handle the marketing aspect of investor protection. Its membership has a bias towards people with a vested interest in tied agents rather than those representing registered insurance broking interests.

The SRO framework will also require a restructuring of the industry control of life commissions organised by the Registry of Life Assurance Commissions (Rolac).

The situation on commissions will be clarified when Mr Weinberg's committee publishes its rules on the subject, expected this month.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Bristol Stadium, 11, Mansfield St, W., 12.15
Hadson Petroleum Intnl, Great Eastern Hotel, Liverpool St, EC, 11.00

BOARD MEETINGS—
Finals:
Bridport-Gundry
Cramphorn
Interims:
Asscd Brit Foods
Bisichi Tin
Geers Gross
Lifecare Intnl
Oxford Instruments
Tysons (Contractors)
Wire and Plastic Prods

DIVIDEND & INTEREST PAYMENTS—
Bank of Scotland (Governor and Co of) 5.5p
Bowater Inds 3.75p
DPCE 2.2p
Falcon Inds 0.5p
Highland and Lowlands Berhad 6.25Sen
Lloyds Bank Sub Fltg Rate Nts 1995 $478.56
London and St Lawrence Inv 1.19p
Morley (R. H.) 1.5p
New Zealand 11¼pc 2008 5.625pc
Royal Bank of Scotland Fltg Rate Nts 2005 £150.50
Scottish Agric Inds 5.5p
Sherwood Computer Services 1p
Telefusion 0.65p
Tharsis Co 1.4p
Trade Indemnity 4.25p
Watmoughs 1.7p
Willis Faber 5.0p

TOMORROW

BOARD MEETINGS—
Finals:
Firstland Oil and Gas
Gomme
Hepworth (J.)
Keystone Inv
Tay Homes
Tyzack (W. A.)
UDO
Interims:
Compsoft
Ecobric
Electrocomponents
German Smaller Cos Inv Tst
Sainsbury (J.)
Whitbread Inv

DIVIDEND & INTEREST PAYMENTS—
Anglo American Gold Inv 175.08881p
British Syphon Inds 1.25p
Cambridge Electronic Inds 2.2p
Credit National 13¼pc Gtd Nts 1989 8.75pc. Do 1993 6.75pc
Guthrie Corp 9¾pc Uns Ln 1992/97 5.42c
Kleinwort Benson Lonsdale 6p
Macallan-Glenlivet 1p
Morrison (Wm) Supermarkets 0.35p

WEDNESDAY NOVEMBER 6

COMPANY MEETINGS—
Adwest, Hotel Inter-Continental, 1, Hamilton Place, W, 12.00
Cantors, 164-170, Queens' Rd, Sheffield, 12.30
Global Group, 16, Bedford St, WC, 11.00
Industrial Finance and Investment Corp, Chartered Insurance Institute, 20, Aldermanbury, EC, 12.00
Media Technology, Stonebridge Park Studio Complex, Berestord Avenue, Wycombe Rd, Wembley, Middx, 12.10
New Court Natural Resources, Great Eastern Hotel, Liverpool St, EC, 3.00

BOARD MEETINGS—
Final:
Jessups
Interims:
Continental and Ind Tst
Graig Shipping
Shiloh
WA Hldgs

DIVIDEND & INTEREST PAYMENTS—
Aerospace Engineering 1.2p
Assoc British Foods 7¼pc Db 1988-93 3.625pc
Assoc British Ports 5.25p
Biddle 2.4p
Brixton Estates 7¾pc 1st Mtg Db 1987-1992 3.875pc
Brooke Bond 7pc Uns Ln 2003-08 3.5pc
Burton 7pc Lns Ln 1985 5.5pc
Cadbury Schweppes 8¼pc 1st Mtg Deb 1994-2004 4.125pc
Continental Microwave 2.25p
Courtaulds 6pc 2nd Pf 2.1p. 6½pc Uns Ln 1994-96 3.25pc. 7¼pc Uns Ln 1994-96 3.625pc
Delta 10¾pc Db 1995-99 5.375pc
Distillers 7¼pc Ln 1988-93 3.625pc
Elecо 7½pc Db 1988-91 3.75pc
Gabicci 1.8p
Hewitt (J.) and Son (Fenton) 0.4p
Hurst (Charles) Motors 7½pc Db 1986-1991 3.75pc
Intnl Bank for Rec and Dev 13¼pc Ln 1986 5.75pc
JSO Computer Group Intnl 1p
Laing (John) 2p. A 2p
Manson Finance Tst 0.875p
Metal Box 10½pc Uns Ln 1992-97 5.25pc
Reabrook 0.8p
Tilling (Thomas) 8½pc Uns Ln 1989-94 4.25pc
Vickers 5p
Whitbread 7¼pcUnsLn 1995-99 3.625pc

THURSDAY NOVEMBER 7

COMPANY MEETINGS—
Close Bros, Brewer's Hall, Aldermanbury Square, EC, 11.30
Cons Gold Fields, Hotel Inter-Continental, 1, Hamilton Place, W, 11.30
Dowding and Mills, Chamber of Commerce, 75, Harborne Road, Birmingham, 12.00
Kwahu, 25-35, City Road, EC, 12.00
London Shop Property Trust, Savoy Hotel, Strand, WC, 12.00
Scott's Restaurant, 11, Mansfield St, W, 10.00
Tor Inv Tst, 6, Caer St, Swansea, 9.45
Walker (Thomas), Midland Hotel, Birmingham, 12.00
Westpool Inv Tst, 33, Robert Adam St, W, 3.00

BOARD MEETINGS—
Finals:
Tyzack Turner
Wemyss Inv Tst
Interims:
British-Borneo Pet Synd
Buckley's Brewery
CASE
Cater Allen
Feb Intnl
Fleming Far Eastern Inv Tst
Framlington Overseas Income and Growth Fund
Grampian TV
Hambros Inv Tst
King and Shaxson
Meadow Farm Prod
Normans
Renold

DIVIDEND & INTEREST PAYMENTS—
BBA 10pc Db 1989-94 5pc
BLMC 7¼pc Cnv Uns Ln 1982-87 3.625pc
Blue Circle 10¼pc Db 1994-99 5.125pc
Bracken Mines 60cts
Bridon 1.5p
British Petroleum 12p
Bromsgrove Inds 0.7p
Burroughs Corp 65cts
Cantors 1.5p. A NV 1.5p
Connells Estates Agents 1p
Dowding and Mills 1.75p
Fergebrook 1.2p
First Chicago Corp Fltg Rate Sub Cap Nts 1997 $215.85
Hall Engineering 3.66p
Industrial Fin and Inv Corp 2.5p
Kinross Mines 175cts
Laidlaw Thomson 1.25p
Leslie Gold Mines 60cts
London Shop Property Tst 5.6p
Nationwide Bldg Soc 12½pc Bds 12.5.86 £6.1875
Oilfield Inspection Services 1p
Shell Transport and Trading 12.5. (Br) 12.5p
Standard Chartered Finance Jsn Gtd Und Fltg Rate Nts $472.78
Thorn EMI 7½pc Uns Ln 1989-92 5.75pc. 8½pc Uns Ln 1989-94 4.25pc. 5pcLn 2004-09 2.5pc. 7¾pc Uns Ln 2004-09 3.875pc
Tor Inv Tst 9.62Ep. Cap 1.3825p
Transport Development 1.7p
Treasury 10½pc Cnv 1992 5.25pc
Unisel Gold Mines 73cts
WW Group 1.94p
Wells Fargo Fltg Rate Sub Nts 2000 $70.8
Wilkes (James) 3p
Wills Group 2.5p
Winkelhaak Mines 230cts

FRIDAY NOVEMBER 8

COMPANY MEETINGS—
Boulton (William), North Stafford Hotel, Station Rd, Stoke-on-Trent, Staffordshire, 12.00
London Securities, Chesterfield Hotel, Charles St, W, 11.00
Marler Estates, 61-65, Great Queen St, WC, 12.00
Park Place Inv, Barber's Surgeons' Hall, Monkwell Square, EC, 12.00
Stocklake, Great Eastern Hotel, Liverpool Street, EC, 12.00

BOARD MEETINGS—
Finals:
Arenson
Five Oaks Invs
Castle (G. B.)
London and Prov Shop Centres
Micro Focus
Interims:
Aquascutum
Futura
Asset Special Situation Tst
Hill Samuel

DIVIDEND & INTEREST PAYMENTS—
American Express 34cts
Barr and Wallace Arnold Tst 2p. A NV 2p
Central Independent Television 2.5p
Close Bros 4.7Ep
English Association 2p
Grampian 2p
Highcroft Inv Tst 0.9p
Laporte Inds 3.2p
Leumi Intnl Invs Gtd Fltg Rate Nts C 1987 $47.28
McLaughlin and Harvey 2p
Steel Burrill Jones 4p
Stocklake 9p
Tioxide 11½pc Uns Ln 1991-96 5.7Epc
Treasury 3pc 1990 £1.1E9
Walker (Thomas) 0.7325p
Westpool Inv Tst 1.174p
Whatman Reeve Angel 0.82p
Woolworth 3p

SATURDAY NOVEMBER 9

DIVIDEND & INTEREST PAYMENTS—
Intnl Bank for Rec and Dev 11.5pc 2003 5.75pc
Marler Estates 3p
Southwark 6¾pc Red 1983-85 3.375pc

SUNDAY NOVEMBER 10

DIVIDEND & INTEREST PAYMENTS—
Exchequer 10½pc 1988 5.25pc

CONSTRUCTION CONTRACTS

Superstore and leisure complex

LESSER DESIGN and BUILD, Teddington, has secured four contracts totalling nearly £12m: On a 20-acre site at Broadbridge Heath near Horsham, West Sussex, work has started on a £9m superstore and sports and leisure complex, a joint development by Tesco Stores and Horsham District Council.

The Tesco superstore, with a total sales area of 42,000 sq ft (70,000 sq ft gross) will employ 350 people, mainly recruited locally. The building is of single storey construction featuring locally-made bricks and a red pantile roof to harmonise with typical West Sussex architecture. Particular design features are the three powered revolving doors, each 15 ft in diameter and giving ample access for the disabled.

The comprehensive sports and leisure complex adjoining comprises a theatre workshop and rehearsal rooms, facilities for badminton and table tennis and an indoor sprint track. Externally, there is a six-lane running track enclosing a full-size, all-weather football pitch with artificial surface and further facilities for five-a-side football, tennis, netball and basketball. The complete project is expected to be finished in Spring 1986.

Further south at Chandlers Ford near Southampton, Draper Tools has commissioned a £1m-plus warehouse extension with matching refurbishment of the exterior of their present building. At Hillingdon, Middlesex, Lesser Design and Build is constructing a £1m two-storey block of 42 bedrooms with conference rooms at the Master Brewer motel for Fuller, Smith and Turner.

£15m Hereford shopping centre

Work has started on Norwich Union's £15m Hereford shopping development. WILLETT has been awarded the building contract. It is planned for tenants to be able to complete their shopfitting in time for trading by Christmas 1987.

The centre incorporates a glass-covered atrium topped by a barrel vault, within which there will be a food court at first floor level with a range of shops on the ground floor.

There will be 33 unit shops ranging in size from 1,000 sq ft to 4,000 sq ft, together with five kiosks and three space units in the main scheme, bringing the total shopping space to 150,000 sq ft.

In addition, Norwich Union is developing a further six shops on a freehold site adjacent to the main scheme, which is held on a 125 year lease from the Hereford City Council. Willett is undertaking both contracts simultaneously, the main one valued at £6m and the freehold site contract at £800,000. The scheme includes a 300 space car park tucked unobtrusively beneath the new stores.

In essence, the whole project has been designed to complement the scale and character of Hereford's conservation area, while at the same time propelling the City into the forefront of modern shopping, says the developer.

There are three joint letting agents: Donaldsons, Hartnell Taylor and Cook and Edward Erdman, who have been advising the City of Hereford and are now retained by Norwich Union as well.

Tilbury has £6m orders

Contracts worth nearly £6m have been won by TILBURY GROUP. Heading the list are two jobs from the Property Services Agency. One is worth just over £1m and consists of reroofing in felt and asphalt the existing flat roofs of administration and workshop blocks at the Royal Naval Engineering College in Plymouth. This job is due to take 56 weeks to complete. The other, worth nearly £900,000, is for the construction of offices at the Devonport Naval Base and is expected to last for 39 weeks.

Other work includes a river wall and reclamation of the foreshore for the GLC at the Coin Street Development on the south bank of the Thames. The contract is worth £728,000 and should be finished in six months. The company is building a road vehicle ramp from Pindar Street to platforms 10 and 11 at Liverpool Street Station. The work includes bored piles, retaining walls and bridge construction, and is for British Rail. Worth £650,000, it is expected to take 48 weeks.

Babcock works extension

TAYLOR WOODROW CONSTRUCTION (SCOTLAND), Glasgow, has won its second contract in 18 months for work at Babcock Power works in Renfrew. The latest order, worth £2.1m, is for the construction of an extension to a heavy fabrication shop. Work has started and is scheduled for completion in November 1986. The contract calls for site clearance and the construction of a steel-framed building, 40 metres wide, 120 metres long and 30 metres high, and includes piling work, main building foundations, concrete floor slab and brick dado walling. Twelve hundred tonnes of structural steelwork will be fabricated and erected by Octavius Atkinson and Sons Limited, another member of The Taylor Woodrow Group. External works involve the construction of a perimeter road, hardstanding and drainage works.

*

KENDRICK CONSTRUCTION has won three housing contracts: an envelope scheme, Murdock Housing Action Area, Handsworth, for City of Birmingham, worth £1.2m for completion in August 1986; an envelope scheme, Ashwin Housing Action Area, Hockley, for City of Birmingham, worth £1.4m, for completion in September 1986; and 22 sheltered flats, Lower Queen Street, Sutton Coldfield for Haven Homes, worth £355,000 for completion in August 1986.

£5m work for Tarmac companies

Contracts worth nearly £5m have been awarded to TARMAC CONSTRUCTION. Tarmac Refurb, the refurbishment specialist company, has a £592,000 contract for alterations to premises in Queen Square, Wolverhampton, for Barclays Bank. Other projects include building work and external works and drainage at a hostel in Reevy Rd, Bradford, for Bradford City Council (£665,000); and building three two-storey shops in Newport, Isle of Wight, for Hardanger Properties (£421,000). A number of contracts have also been awarded for work on maintaining and improving local authority housing. In Scotland a £1.5m maintenance contract has come from Edinburgh City Council and a £437,000 contract for refurbishing homes at Fauldhouse, Lothian, from West Lothian District Council. Others are for modernising and repairing homes at Chequerfield, Wakefield, for Wakefield City Council (£632,000); converting maisonettes into houses at Seaforth, Merseyside, for Sefton Borough Council (£319,000); and improving homes at Bridgtown, Cannock, Staffordshire, for Cannock Chase District Council (£215,000).

Housing for Australian oilmen

Woodside Offshore Petroleum Pty, operator for the North West Shelf Project, Western Australia, has let two contracts with a combined value of A$10m for building 53 houses and 34 medium density units in Karratha.

The contracts form part of a programme to increase Woodside's existing 150 houses and 30 units in Karratha by 373 houses and 78 units by the end of 1987. The additional accommodation is to house Woodside and KJR — the main contractor — personnel who will be part of the workforce involved in the construction of the liquefied natural gas plant and associated facilities on the nearby Burrup Peninsula.

A V JENNINGS has been awarded A$7m contract to build 53 houses. The first of these will be ready for occupation next February with the others being completed at the rate of six a week.

Perth-based WALSH AND CARRICK has been awarded a A$3m contract to build 34, two-bedroomed duplex units during the next nine months.

The awarding of contracts to build these houses and units follows the recent letting of a major contract to another Perth building company, WYLIE AND SKENE, to construct by early 1986 40 three-bedroomed houses and two pairs of duplex units for employees of the main contractor for the LNG plant, Kellogg-JGC-Raymond.

In addition to the WOP-KJR accommodation it is anticipated that a further 200 houses will be needed in Karratha by LNG plant sub-contractors to house their on-site personnel.

The six equal participants in the LNG phase of the North West Shelf Project are Woodside Petroleum (project operator), BHP Petroleum Pty, BP Developments Australia, California Asiatic Oil Company (a subsidiary of Chevron Corporation), Japan Australia LNG (MIMI) Pty, a company jointly owned by Mitsubishi Corporation and Mitsui and Co, and Shell Development (Australia) Proprietary.

*

PRESS CONSTRUCTION has a pipelaying award from Severn-Trent Water Authority, worth £500,000, for water main and service pipelines in the Tame division in Birmingham.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Nov. 1	Oct. 31	Oct. 30	Oct. 29	Oct. 28	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials	1390.25	1374.31	1376.67	1368.73	1359.39	1390.25 (1/11)	1184.96 (4/1)	1390.25 (1/11/85)	41.22 (2/7/32)
Home Bnds	80.14	80.31	80.17	78.82	79.43	80.35 (16/7)	72.27 (20/3)	—	—
Transport	685.61	656.01	658.92	650.40	645.60	709.5 (17/7)	555.03 (4/1)	702.5 (17/7/85)	12.59 (8/7/32)
Utilities	161.78	159.78	161.16	160.24	162.28	166.91 (12/7)	146.54 (4/1)	166.21 (12/7/85)	10.5 (28/4/42)
Trading Vol 000's	128.50m	122.16m	120,360	110,600	97,880	—	—	—	—

Day's High 1393.56 (1383.60) Low 1367.78 (1362.61)

	Oct. 25	Oct. 18	Oct. 11	Year ago (approx)
Industrial dividend yield%	4.54	4.80	4.60	4.80

STANDARD AND POORS

	Nov. 1	Oct. 31	Oct. 30	Oct. 29	Oct. 28	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials	212.87	211.06	211.14	210.42	208.99	215.85 (10/7)	128.24 (4/1)	215.83 (19/7/85)	3.62 (30/6/32)
Composite	191.55	189.82	190.07	192.93	187.78	125.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Oct. 30	Oct. 23	Oct. 15	Year ago (approx)
Industrial div. yield	3.71	3.73	3.75	4.05
Industrial P/E ratio	12.71	19.68	19.64	10.56
Long Gov. Bond yield	10.99	10.35	10.50	12.09

N.Y.S.E. ALL COMMON

Nov. 1	Oct. 31	Oct. 30	Oct. 22	1985 High	1985 Low
110.55	106.41	108.65	108.18	115.49 (17/7)	94.60 (4/1)

Rises and Falls	Nov. 1	Oct. 31	Oct. 30
Issues Traded	1,980	770	2,002
Rises	989	—	970
Falls	852	688	570
Unchanged	432	326	462
New Highs	74	60	60
New Lows	17	26	95

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
ITT	3,030,500	32⅞	— ⅛	Comw. Edison	1,716,700	27⅞	— ¼
Beatrice Co.	2,582,700	43⅛	— ⅛	Dupont	1,548,300	63⅛	+ ⅞
Reynold Ind	2,433,900	25⅞	— ¼	Revlon	1,479,000	57⅞	+ ⅝
ATT	2,064,400	21½	+ ½	Texas Oil & Gas	1,416,600	16⅛	— ¼
Pantry Pride	1,719,500	8¼	+ ⅛	GTE Corp.	1,304,800	40⅝	+ ⅞

TORONTO

	Nov. 1	Oct. 31	Oct. 30	Oct. 22	1985 High	1985 Low
Metals & Minerals	1775.42	1740.82	1788.4	1765.6	2190.07 (18/2)	1740.99 (31/10)
Composite	2705.46	2674.90	2689.8	2652.2	2818.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	130.40	128.70	128.45	127.17	139.33 (18/7)	117.00 (4/1)

	Nov. 1	Oct. 31	Oct. 30	Oct. 29	1985 High	1985 Low
AUSTRALIA All Ord. (1/1/80)	1088.5	1027.0	1029.0	1032.8	1052.2 (25/10)	715.5 (7/1)
Metals & Mins. (1/1/80)	495.6	510.5	515.1	517.2	583.8 (20/5)	382.5 (7/1)
AUSTRIA Credit Aktien (2/1/82)	(c)	98.70	98.19	98.09	105.73 (17/6)	68.21 (24/1)
BELGIUM Brussels SE (3/1/80)	(c)	2837.85	2816.02	2752.54	2837.85 (31/10)	2090.2 (18/1)
DENMARK Copenhagen SE (3/1/83)	230.28	—	233.31	230.31	237.57 (24/10)	158.44 (8/1)
FRANCE CAC General (31/12/82)	(c)	221.00	219.8	218.3	231.1 (31/5)	180.8 (3/1)
Ind Tendance (28/12/84)	(c)	124.60	125.5	121.0	138.4 (31/5)	108.1 (3/1)
GERMANY FAZ Aktien (31/12/58)	599.34	586.28	581.26	576.81	599.34 (1/11)	382.39 (3/1)
Commerzbank (1/12/53)	(c)	1778.30	1753.2	1712.8	1770.80 (31/10)	1111.8 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1690.65	1665.39	1654.68	1654.03	1711.61 (18/3)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	(c)	414.05	412.65	408.90	414.05 (31/10)	226.50 (2/1)
JAPAN** Nikkei (16/5/49)	12808.10	12939.47	12908.7	12913.8	13065.5 (16/10)	11541.2 (5/1)
Tokyo SE New (4/1/68)	1018.51	1026.50	1023.54	1019.77	1057.56 (16/7)	918.91 (4/1)
NETHERLANDS ANP-CBS General (1970)	228.5	226.60	225.6	224.2	226.60 (31/10)	185.8 (8/1)
ANP-CBS Indust (1970)	205.2	205.10	204.8	203.2	205.10 (31/10)	147.2 (3/1)
NORWAY Oslo SE (4/1/83)	387.80	389.94	392.51	386.29	392.51 (30/10)	288.18 (2/1)
SINGAPORE Straits Times (1966)	761.84	765.61	765.87	769.66	852.66 (7/3)	717.30 (15/7)
SOUTH AFRICA JSE Gold (28/9/78)	—	1122.5	1115.0	1093.5	1148.5 (15/8)	828.8 (8/3)
JSE Indust (28/9/78)	—	942.5	942.2	940.2	1036.8 (16/7)	787.1 (7/3)
SPAIN Madrid SE (28/12/84)	(c)	124.27	123.62	124.93	126.97 (25/10)	101.46 (2/1)
SWEDEN Jacobson & P (1/1/58)	1456.40	1444.15	1434.50	1439.78	1465.88 (11/2)	1305.32 (8/7)
SWITZERLAND Swiss Bank Cpn (31/12/58)	810.3	509.30	508.7	508.1	510.3 (1/11)	388.7 (3/1)
WORLD Capital Intl. (1/1/70)	—	233.1	232.60	230.5	235.1 (1/11)	184.6 (4/1)

** Saturday November 2: Japan Nikkei 12,809.98. TSE 1,091.57

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985 High	1985 Low	Oct. 31	Price Sch %
391	325	Credit'stalt Pfd.	368
555	330	Goesser	480
1,950	400	Interunfall	1,440
345	222	Laenderbank	337
670	338	Perlmooser	636
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY

1985 High	1985 Low	Nov. 1	Price Dm
968	100.8	AEG-Telef	260.5
1,848	861	Allianz Vers	1,846
275.5	176.5	BASF	275.5
270.4	185	Bayer	270.4
446	309.5	Bayern Hypo	442
[illegible]	[illegible]	[illegible]	[illegible]

JAPAN

1985 High	1985 Low	Nov 2	Price Yen
1,555	1,040	Ajinomoto	1,110
755	415	All Nippon Air	815
2,097	1,125	Alps Electric	1,600
1,100	621	Asahi Chem	798
228	782	Asahi Glass	861
[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

1985 High	1985 Low	Nov. 1	Price Aust. $
5.93	4.33	ANZ Group	4.28
1.15	1.01	Alliance Oil Dev.	1.05
2.25	1.76	Ampol Pat.	2.47
1.22	0.75	Ashton	1.02
5.1	1.89	Aust. Cons. Ind.	2.88
[illegible]	[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

SWEDEN

[illegible]

NORWAY

[illegible]

SOUTH AFRICA

[illegible]

HONG KONG

[illegible]

SPAIN

[illegible]

NETHERLANDS

[illegible]

SWITZERLAND

[illegible]

ITALY

[illegible]

CANADA

TORONTO

Closing prices November 1

Sales	Stock	High	Low	Close	Chng
16296	Inter Pipe	$44½	43⅝	44⅛	+ ¼
1950	Roman	$12¼	12	12⅛	+ ⅝
6911	SteinbrgA	$30½	30⅛	30½	+ ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights

MONTREAL

Closing prices November 1

[illegible]

SINGAPORE

1985 High	1985 Low	Nov. 1	Price $
[illegible]	[illegible]	[illegible]	1.46
[illegible]	[illegible]	[illegible]	3.22
[illegible]	[illegible]	[illegible]	5.90
[illegible]	[illegible]	[illegible]	8.9
[illegible]	[illegible]	[illegible]	2.19
[illegible]	[illegible]	[illegible]	2.50
[illegible]	[illegible]	[illegible]	2.08
[illegible]	[illegible]	[illegible]	1.16
[illegible]	[illegible]	[illegible]	5.95
[illegible]	[illegible]	[illegible]	2.34
[illegible]	[illegible]	[illegible]	0.90
[illegible]	[illegible]	[illegible]	9.60
[illegible]	[illegible]	[illegible]	9.72
[illegible]	[illegible]	[illegible]	1.37
[illegible]	[illegible]	[illegible]	1.72
[illegible]	[illegible]	[illegible]	6.60
[illegible]	[illegible]	[illegible]	2.85xo
[illegible]	[illegible]	[illegible]	8.49
[illegible]	[illegible]	[illegible]	3.68

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORTH AMERICAN QUARTERLIES

ST. PAUL COMPANIES
Insurance

Third quarter	1985 $	1984 $
Revenue	683.1m	601.8m
Net profits	†18.4m	†78.4m
Net per share	†0.42	†3.51
Nine months		
Revenue	1.82bn	1.73bn
Net profits	37.7m	†197.2m
Net per share	1.83	†4.85

†Loss

TIMES MIRROR
Media, forest products

Third quarter	1985 $	1984 $
Revenue	714m	680.6m
Net profits	64.1m	46.8m
Net per share	0.96	0.68
Nine months		
Revenue	2.15bn	2.05bn
Net profits	178.9m	149m
Net per share	2.59	2.17

VIACOM INTERNATIONAL
TV, cable

Third quarter	1985 $	1984 $
Revenue	88.5m	78.5m
Net profits	13.1m	8.8m
Net per share	0.75	0.49
Nine months		
Revenue	261.5m	231.2m
Net profits	28.7m	20.8m
Net per share	1.75	1.51

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 1

Continued from Page 31

Stock	Sales (Hnds)	High	Low	Last	Chng
ProdOp .18	75	4½	4⅜	4½	+ ⅛
ProgCs 12	200	39¼	38	38½	− 1
PropTr 1.20	27	12	11⅞	11⅞	
Provin	691	19⅜	19¼	19⅜	+ ¼
PuriBn .40	294	26	25¼	25¾	+ ½
QMS	330	8⅝	8⅛	8¼	− ⅛
Quadrx	121	8	7⅞	7⅞	
QuakCs .38	9	11¼	10¾	11⅛	+ ½
Quantm	790	20¼	20	20¼	
QuestM	628	4½	4¼	4½	+ ⅛
Quixote	282	16	15¼	15⅞	+ ⅞
Quotrn	27729	14	13¼	13¾	+ ¼
R R					
RAX .01e	91	6	5⅞	5⅞	− ⅛
RPMs .62	1717	15⅝	15⅛	15½	+ ⅛
RadSys	63	12½	12¼	12½	+ ¼
RadmT	79	9⅛	9½	8½	− ⅛
Radion	3	8¼	8¼	8¼	− ¼
Service 1	111	20½	19⅞	20⅛	+ ⅛
SvcFrct	21	4¾	4⅜	4¾	+ ⅜
SevOak .16	101	16⅞	16⅜	16⅞	+ ¼
ShrMed .48	621	34⅜	34⅛	34⅜	+ ¼
Shwmt 1.68	213	36⅝	36¼	36⅝	+ ½
Shelbys .16	30	16⅝	16⅝	16⅝	
Sheldls	16	9⅛	8¾	9	− ¼
Shoneys .15	780	25⅛	24⅞	24⅞	− ¼
ShonSos	162	10⅝	10⅜	10½	
Silicon	53	4	3⅞	4	
SiliconS	171	11⅛	10⅞	11	− ⅛
SilicVal	212	14	13½	14	+ ⅜
Siliconx	13	18¾	18⅜	18¾	+ ⅛
Siltec	15	4¾	4½	4¾	+ ⅛
Simpln .80	218	13⅞	13⅜	13⅞	
Sippins	120	11¼	11	11¼	− ¼
Sizzlers	593	14½	13⅞	14½	+ ½
Skipper .08	199	11⅞	11½	11⅝	
SmithL	127	2¾	2⅝	2⅞	+ ⅛
ThrdNs .84	201	27	26¾	26¾	− ⅛
Thortec	94	7⅜	7⅛	7⅛	− ¼
ThouTr	339	8	7¾	7⅞	
TimeEn	341	7	6⅝	6⅞	+ ⅛
TmoFib	2	12⅞	12¾	12¾	
Tiprary	1000	½	5-16	½	+ ⅛
TollSys	39	29	27	27	− 1½
TrakAu	1181	12½	11	12	+ ⅜
TriadSy	171	9⅛	8⅞	8¾	
TrusJo .40	357	26¼	26	26¼	+ ⅛
U U					
USLICs .80	97	24⅛	23¾	24⅛	+ ⅜
UTL	589	15¼	15⅛	15¼	
Ultrsy .06e	334	8⅜	7⅞	8⅜	+ ⅜
Ungmn	509	13¾	13½	13⅝	+ ¼
Unifi	206	13	12⅞	13	
UnPlntr 1.08t	15	27¼	26¾	26¾	
UnTBcs 1.50	67	53½	52½	52⅞	+ ¼
Windmr .03j	530	4⅞	4	4⅞	+ ¼
WiserO 60	78	16⅛	15⅝	15⅞	− ⅛
Woodhd .60	316	14½	11	14	+ 1
Worthgs	1218	17½	17⅛	17½	+ ⅛
Writer .15e	36	8¾	6½	8¾	+ ¼
Wyman .80	16	22	21½	21½	
X Y Z					
Xebec	124	2⅞	2 9-16	2⅞	
Xicor	203	6⅝	6½	6⅝	− ⅛
Xidex	3276	12⅝	12⅜	12½	− ⅛
YlowFs .54	203	23½	23¼	23¼	− ⅛
ZonLbs 10r	1176	24	23¼	23¾	− ½
Ziegler 48a	9	13⅛	12¼	12¼	− ⅛
ZionUt 1.36	150	41⅝	41⅛	41⅛	− ¼
Zitel	24	2⅞	2¾	2⅞	
Ziyad	22	6	5⅝	5⅝	
Zondvn .08j	338	11⅝	11¼	11⅜	− ⅛
Zymos	50	2 7-16	2 5-16	2 5-16	− 3-16

Closing prices, November 1

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 3/8	16	AAR	.56	2.5	15	41	23	22 7/8	22 7/8	+ 1/8
17 3/8	9 3/4	AGS			13	249	16 1/8	15 3/4	15 7/8	− 1/4
14	10	AMCA				1	10	10	10	− 1/8
50 3/4	29 3/4	AMR			7	7906	40 1/8	38 3/8	39 7/8	+ 1 1/4
23 5/8	18 5/8	AMR pf2.18		9.3		9	23 5/8	23 1/2	23 1/2	+ 1/8
91 1/8	34 3/4	ASA	2	5.8		567	35 1/4	34 1/2	34 3/4	− 3/4
27	10 1/2	AVX	.32	2.9		38	11 1/8	10 7/8	10 7/8	
28 1/8	18 1/4	AZP	2.72	11.	7	5171	24 3/8	23 7/8	24 1/8	− 3/8
60	38 3/8	AbtLab 1.40		2.4	16	3316	58 5/8	58	58 1/8	+ 3/8
25 7/8	19 5/8	AccoWd .50		2.2	17	60	23	22 5/8	22 3/4	− 1/8
24 3/4	11 1/8	AcmeC .40		3.4		147	11 7/8	11 5/8	11 5/8	− 1/8
10 1/2	7	AcmeE .32b		4.5	11	17	7 1/8	7 1/8	7 1/8	− 1/8
10	15 1/2	AdaEx 1.92e		11.		49	17 3/4	17 3/8	17 3/4	+ 1/2
30	13 1/2	AdmMl .32		1.8	8	50	18 1/2	18 3/8	18 1/2	+ 3/8
15 1/2	8 5/8	AdvSys .53t		3.7	30	88	14 3/8	14 1/4	14 1/4	
36 5/8	22 1/8	AMD			26	2171	24 1/8	23 3/8	24 3/8	+ 3/4
12 1/8	9 1/8	Advest .12		1.3	21	558	9 5/8	9 1/8	9 1/2	+ 1/2
15 7/8	10	Aerflex			13	152	15 1/4	14 7/8	15	− 1/8
49 5/8	34 3/8	AetnLf 2.64		5.4	18	2016	49	48 1/8	49	+ 3/8
57 1/2	53 1/4	AetL pf5.41e		9.7		10	55 7/8	55 7/8	55 7/8	− 3/8
37 3/8	22 1/8	Ahmns 1.20		3.2	8	3008	37 5/8	36 1/2	37 3/8	+ 1/2
3 5/8	2 1/2	Aileen				160	3 1/8	2 7/8	2 7/8	− 1/8
57	44 1/8	AirPrd 1.48		2.7	11	503	54 1/2	53 7/8	54 1/2	− 1/4
24 3/8	17 1/2	AirbFrt .60		3.0	11	22	19 7/8	19 5/8	19 7/8	− 1/8
2 1/8	1 1/4	AlMoa s .10e		5.7		44	1 7/8	1 3/4	1 3/4	
29 1/4	23 5/8	AlaP pf2.74e		9.6		200	28 1/2	28 1/2	28 1/2	+ 1/8
33 3/8	30 1/4	AlaP pfA3.92		13		31	30 3/4	30 1/2	30 5/8	− 1/8
8 5/8	6 3/4	AlaP dpf.87		11.		67	8	7 7/8	8	+ 1/8
76 3/4	60	AlaP pf 8.28		11		z2350	76 3/4	72	76 3/4	
35 3/8	12 1/2	AlskAir .16		.8	8	4558	20 1/8	19 1/2	20 1/8	+ 1/8
25	12 1/2	Alberto s .38		1.8	18	21	24 1/4	24	24 1/4	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
55½	35¼	Xerox	3	5.8	18	5100	51¼	50½	51½	+ 1⅛
55½	48⅛	Xerox pf5.45		9.9		10	55⅛	55⅛	55⅛	
30¼	24⅜	ZaleCp 1.32		4.5	13	298	29½	28⅜	29½	+ 1¼
18	7¾	Zapata .12		1.5	57	264	8⅛	7¾	8	+ ⅛
57⅞	32⅝	Zayre s .48		.8	17	x195	56	55¼	55½	− ⅜
25	18¼	ZenithE			878	633	16½	16¼	16⅜	− ⅛
21⅞	15¾	Zero s .32		1.8	16	130	18¼	19¼	19½	+ ¼
37¾	23⅜	Zumin 1.32		3.3	14	413	u37⅞	35¾	37¾	+ 1⅞

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 72 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, November 1

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 1

Continued on Page 29

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pressure continues on dollar

BY COLIN MILLHAM

Central banks maintained downward pressure on the dollar last week. The foreign exchanges reacted to a mixture of intervention by the central banks, interest rates, and in general disappointing statistics from the US. Most of the intervention took the form of selling the dollar when it was already in retreat, thus accomplishing the objective without using up many resources. On Tuesday the German Bundesbank sold a mere $1.8m at the Frankfurt fixing, and that may have been the only intervention by the German central bank all week on the spot market. There was some suspicion the Bundesbank was introducing new tactics when it bought DM4bn in short dated contracts against the dollar on Monday, but this was a move to prevent the domestic money market from becoming too liquid across the month end.

The drain of D-marks also resulted in firmer Euromark interest rates, which coupled with recent moves by the Bank of Japan to increase Tokyo rates, had a depressing impact on the dollar.

As a further factor it was rumoured that Group of Five ministers from the leading industrial nations are to meet again this month. It was the Group of Five meeting in late September which began the present decline of the dollar.

US economic data were disappointing enough to indicate that third quarter growth in Gross National Product will be down from last month's estimate of 3.3 per cent when it is revised on November 21.

Leading indicators were generally regarded as the most important figures of the week, but in the event the US trade figures probably had more impact. The market expected a trade deficit of about $12bn in September, compared with $9.90bn in August.

The record shortfall of $15.5bn was therefore a surprise and contributed to the dollar's weakness.

Leading indicators rose 0.1 per cent in September, in line with most forecasts, but also indicating that US economic performance is sluggish. On the same day it was announced that September factory orders had fallen 0.6 per cent and the combination of these statistics made the market ignore a larger-than-expected rise of $8.5bn in weekly M1 money supply. Although money supply remains above the Federal Reserve's target range it is possible that the US central bank will soon inject a stimulus into the economy by cutting its discount rate.

US unemployment figures showed no change in September and although the number of people employed outside the farming sector rose by 414,000, against expectations of 250,000, the dollar did not react favourably.

The strength of the Japanese yen continued to depress the US currency. This followed a statement from the oil minister of the United Arab Emirates that members of the Organisation of Petroleum Exporting Countries are free to sell oil at any price. Other Opec members denied that the cartel had effectively broken down but expectations of lower oil prices for a very large oil importer such as Japan gave a boost to the yen and had an equally unsettling effect on sterling. As the yen rose to its highest level against the dollar since March, 1981, the pound weakened on Friday in terms of all major currencies, including the dollar.

£ IN NEW YORK

	Nov. 1	Prev. close
£ Spot	$1.4425-4455	$1.4490-4450
1 month	0.44-0.45 pm	0.45-0.45 pm
3 months	1.30-1.27 pm	1.28-1.24 pm
12months	4.05-3.99 pm	3.80-3.70 pm

Forward premiums and discounts apply to the U.S. dollar

CURRENCY MOVEMENTS

Nov. 1	Bank of England Index	Morgan Guaranty Change %
Sterling	80.4	−10.0
U.S. dollar	199.4	+17.4
Canadian dollor	83.6	−9.0
Austrian schilling	119.9	+5.9
Belgian franc	99.0	−9.7
Danish Kronor	81.7	−3.7
Deutsche mark	128.1	+9.9
Swiss franc	151.6	+18.4
Guilder	118.1	+6.6
French franc	68.6	−12.6
Lire	44.9	−19.5
Yen	173.6	+99.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Nov. 1	£	$
Arg'tina	1.1499-1.1319	0.8000-0.8010
Aus'alia	2.0620-2.0650	1.4361-1.4366
Brazil	19,282-19,562	8,990-8,990
Finland	8.0560-8.0767	5.6090-5.6110
Greece	217.48-222.16	191.76-194.91
H'kong	11.2100-11.2300	7.8060-7.8090
Iran	193.60*	86.16*
Kuwait	0.4210-0.4220	0.29225-0.29235
Lux'burg	76.55-76.65	53.15-53.26
Malay'sa	3.6200-3.5300	2.4325-2.4675
N'Z'land	N/A	N/A
Saudi Ar.	5.2415-5.2476	3.6490-3.6505
Sin'pora	3.0500-3.0600	2.1990-2.1290
S.Af.(Cm)	3.6915-3.7241	2.5606-2.5873
S.Af.(Fn)	5.3028-5.3496	3.6997-3.8095
U.A.E	5.2745-5.2800	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Nov. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.746614	N/A
U.S.$	7½	1.07578	"
Canadian $	8.77	*	"
Austria Sch.	4	N/A	"
Belgian Fr	9	N/A	"
Danish Kr	7	10.1549	"
D mark	4	N/A	"
Guilder	3	3.15852	"
French Fr	9½	N/A	"
Lira	15½	N/A	"
Yen	5	885,709	"
Norway Kr	8	8.43991	"
Span'h Pta	—	N/A	"
Swedish Kr	10½	8.42756	"
Swiss Fr	4	2.30025	"
Greek Dr'ch	20½	N/A	"
Irish Punt	—	N/A	"

*C$/SDR rate for October 31: 1.46452.

EXCHANGE CROSS RATES

Nov. 1	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.441	3.733	300.8	11.44	3.080	4.268	2538.	1.973	76.60
$	0.694	1.	2.605	208.8	7.943	2.138	2.942	1790.	1.369	53.11
DM	0.266	0.384	1.	80.15	3.049	0.821	1.129	676.2	0.526	20.39
YEN	3.326	4.790	12.48	1000.	38.05	10.24	14.09	8437.	6.559	254.4
F Fr.	0.874	1.259	3.279	262.8	10.	2.692	3.703	2218.	1.724	66.86
S Fr.	0.325	0.468	1.218	97.65	3.715	1.	1.379	823.9	0.640	24.84
H Fl.	0.236	0.340	0.886	70.97	2.700	0.727	1.	598.8	0.465	18.05
Lira	0.394	0.568	1.479	118.5	4.509	1.214	1.670	1000.	0.777	30.15
C $	0.507	0.730	1.902	152.6	5.801	1.561	2.148	1286.	1.	38.78
B Fr.	1.307	1.883	4.906	395.1	14.96	4.026	5.539	3317.	2.578	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4405	1.4363	1.4277	1.4168	1.4013
D-Mark	3.7525	3.7314	3.6909	3.6376	3.5428
French Franc	11.4425	11.4200	11.3804	11.3996	11.4107
Swiss Franc	3.08	3.0607	3.0262	2.9800	2.8959
Japanese Yen	300.75	299.76	297.83	294.90	289.34

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.8225	−0.02	+0.71	±1.5425
Danish Krona	8.12857	8.02154	−1.32	−0.59	±1.6421
German D-mark	2.23840	2.21086	−1.23	−0.50	±1.1463
French Franc	6.86402	6.74325	−1.76	−1.03	±1.3654
Dutch Guilder	2.52208	2.49484	−1.08	−0.36	±1.5162
Irish Punt	0.724578	0.714884	−1.34	−0.61	±1.6673
Italian Lira	1520.60	1493.10	−1.81	−1.08	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4405	1.4363	1.4277	1.4188	1.4013

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4375	1.4385	1.4275	1.4385
March	1.4255	1.4265	1.4165	1.4250
June	1.4155	1.4170	1.4065	1.4165

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4305	1.4320	1.4265	1.4385
March	1.4185	—	—	1.4270
June	1.4090	—	—	1.4190

Estimated volume 66 (235)
Previous day's open int — (3,934)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3842	0.3850	0.3840	0.3846
March	0.3875	—	—	0.3874
June	0.3898	—	—	0.3902

Estimated volume 3 (86)
Previous day's open int — (477)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	78-23	79-03	77-28	78-17
Mar	77-12	77-24	76-17	77-06
June	76-07	76-18	75-15	76-01
Sep	75-05	75-19	74-15	74-31
Dec	74-06	74-12	73-26	74-00
Mar	73-09	73-13	73-09	73-03
June	72-13	72-22	72-15	72-09
Sep	—	—	—	—
Dec	—	—	—	72-29
Mar	—	—	—	70-10

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	93.00	93.04	92.94	93.00
Mar	92.85	92.90	92.78	92.85
June	92.53	92.58	92.45	92.51
Sep	92.19	92.22	92.13	92.19
Dec	91.86	91.91	91.81	91.84
Mar	91.55	91.55	—	91.52
June	91.28	91.29	91.29	91.25
Sep	91.02	—	—	91.00

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.38	92.42	92.26	92.35
Mar	92.17	92.16	92.12	92.13
June	91.80	—	—	91.76
Sep	91.43	91.44	91.44	91.39

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.07	92.13	91.98	92.05
Mar	91.86	91.93	91.75	91.83
June	91.50	91.56	91.40	91.46
Sep	91.13	91.16	91.04	91.09
Dec	90.77	90.82	90.67	90.73
Mar	90.43	90.48	90.38	90.39
June	90.12	90.17	90.07	90.08
Sep	89.84	89.90	89.80	89.80

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	2.06	1.88	1.60	—	—	0.02	0.09	—
90.50	1.56	1.40	1.18	—	—	0.04	0.17	—
91.00	1.06	0.97	0.81	—	—	0.11	0.30	—
91.50	0.59	0.59	0.50	6	0.03	0.23	0.48	120
92.00	0.23	0.31	0.28	50	0.77	0.45	0.77	18
92.50	0.06	0.13	—	10	0.49	0.77	—	—
93.00	—	—	—	—	0.94	—	—	—

Previous day's open int: Calls 2,748, Puts 2,663

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	23.71	23.71	23.71	—	—	0.19	0.73	—
1.25	18.71	18.71	18.71	—	—	0.47	1.44	—
1.30	13.71	13.71	13.71	—	0.02	1.18	2.59	—
1.35	8.71	9.22	10.14	—	0.20	2.37	4.24	—
1.40	4.15	6.16	7.37	40	1.10	4.29	6.67	251
1.45	1.50	3.83	6.18	17	3.46	6.98	9.28	—
1.50	0.36	2.23	3.51	—	7.31	10.38	12.91	6

Previous day's open int: Calls 6,937, Puts 16,551

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.25	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.30	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.35	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.40	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.45	N/A	N/A	N/A	—	N/A	N/A	N/A	—
1.50	N/A	N/A	N/A	—	N/A	N/A	N/A	—

Previous day's open int: Calls N/A, Puts N/A

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	14.30	—	100	0.05	0.95	—	27
1.35	—	10.00	—	100	0.25	2.15	—	2,151
1.40	4.15	6.30	—	300	0.95	3.98	—	484
1.45	1.80	2.75	—	427	—	—	—	—
1.50	0.45	—	—	10	—	—	—	—

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	113-07	113-09	112-22	113-04
March	113-08	—	—	113-06
June	—	—	—	—
Sept	112-09	—	—	—
Dec	112-09	—	—	—

Estimated volume 3,027 (3,971)
Previous day's open int — (4,655)
Basis quote (clean cash price of 13½% Treasury 2004-08 less equivalent price of near futures contract) n.a.

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	98-00	98-00	97-58	98-03
March	98-13	—	—	98-15

Estimated volume 747 (734)
Previous day's open int — (1,332)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	138.85	139.45	137.45	138.40
March	140.35	140.35	139.20	139.40

Estimated volume 472 (380)
Previous day's open int — (1,796)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.55	88.57	88.51	88.91
March	89.03	89.06	88.99	89.07
June	89.28	89.32	89.24	89.34
Sept	89.27	89.29	89.24	89.32
Dec	89.22	89.24	89.22	89.24

Estimated volume 1,496 (1,532)
Previous day's open int — (7,238)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	92.06	92.13	91.98	92.04
March	91.86	91.95	91.78	91.83
June	91.91	91.60	91.44	91.48
Sept	91.13	91.24	91.13	91.07
Dec	90.76	90.85	90.74	90.70

Estimated volume 8,131 (6,051)
Previous day's open int — (21,130)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	78-24	78-28	77-29	78-09
March	77-12	77-11	77-04	76-30

Estimated volume 8,828 (6,403)
Previous day's open int — (14,163)

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4285-1.4405	1.4400-1.4410	0.44-0.41c pm	3.54	1.31-1.26pm	3.57
Ireland†	1.1800-1.1885	1.1870-1.1880	0.22-0.12c pm	1.72	0.75-0.50pm	2.11
Canada	1.3682-1.3694	1.3684-1.3694	0.05-0.08c dis	−0.57	0.17-0.22dis	−0.57
Nethlnd.	2.9350-2.9640	2.9410-2.9420	0.41-0.38c pm	1.61	1.26-1.23pm	1.69
Belgium	N/A	53.05-53.15	2-4c dis	−0.68	7-11dis	−0.68
Denmark	9.43-9.50	9.44½-9.45	½-1ore dis	−0.95	1½-2¼dis	−0.85
W. Ger.	2.5990-2.6190	2.5995-2.6005	0.72-0.67pf pm	3.16	1.97-1.92pm	2.94
Portugal	161½-163	162-163	125-300c dis	−15.69	450-1050dis	−18.46
Spain	160.02-160.70	160.20-160.50	50-70c dis	−4.50	185-255dis	−5.50
Italy	N/A	1,761-1,762	7½-8½ lire dis	−6.46	23-25dis	−5.46
Norway	7.84-7.87	7.84½-7.84¾	2¾-3¼ore dis	−4.58	8½-9¼dis	−4.58
France	7.9340-7.9880	7.9420-7.9430	0.82-0.92c dis	−1.31	3.40-3.70dis	−1.79
Sweden	7.84-7.86¼	7.85-7.85½	4-4½ore dis	−6.49	12¼-12¾dis	−6.37
Japan	208.80-210.20	208.80-208.90	0.10-0.05y pm	0.43	0.18-0.13pm	0.30
Austria	N/A	18.30-18.34	3½-2¼gro pm	2.05	10½-8pm	2.02
Switz.	2.1385-2.1520	2.1370-2.1380	0.73-0.68c pm	3.95	1.90-1.85pm	3.50

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.15-53.25.

POUND SPOT—FORWARD AGAINST POUND

Nov 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4285-1.4405	1.4400-1.4410	0.44-0.41c pm	3.54	1.31-1.26pm	3.57
Canada	1.9571-1.9730	1.9720-1.9730	0.54-0.44c pm	2.98	1.55-1.41pm	3.00
Nethlnd.	4.20-4.24½	4.23¼-4.24¼	2¼-1⅞c pm	6.31	6-5c pm	6.19
Belgium	75.62-76.55	76.45-76.56	26-10c pm	2.82	64-45pm	2.85
Denmark	13.63½-13.65¾	13.64½-13.65¾	3½-2½ore pm	2.64	10¾-8¼pm	2.71
Ireland	1.2065-1.2165	1.2145-1.2156	0.25-0.12c pm	1.83	0.60-0.29pm	1.47
W. Ger.	3.73-3.75¾	3.74¾-3.75¾	2½-1⅞pf pm	6.40	6½-5½pm	9.34
Portugal	231-235	231¼-234¾	N/A	N/A	N/A	N/A
Spain	229-231¼	230½-231	10-65c dis	−1.95	90-215dis	−2.64
Italy	2,520½-2,538¾	2,537-2,538	0-8 lire dis	−1.89	7-16dis	−1.81
Norway	11.24½-11.32½	11.29½-11.30½	¼-1¾ore dis	−1.06	2-3¾dis	−1.00
France	11.37½-11.46¾	11.43¾-11.44¾	2¾-1⅞c pm	2.29	5¾-4½pm	1.79
Sweden	11.23¾-11.31¾	11.30¾-11.31¾	2¼-3¾ore dis	−3.05	6¾-8½dis	−2.63
Japan	300-302	300¾-301¾	1.06-0.94y pm	3.98	3.00-2.84pm	3.88
Austria	26.22-26.44	26.35-26.40	N/A	N/A	N/A	N/A
Switz.	3.06-3.08¾	3.07½-3.08½	2¼-1⅞c pm	7.31	6⅞-4⅞pm	6.98

Belgian rate is for convertible francs. Financial franc 76.55-76.65. Six-month forward dollar 2.40-2.35c pm, 12-month 4.00-3.85c pm.

EURO-CURRENCY INTEREST RATES

Nov. 1	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅛-11⅝	11½-11⅝	11⅝-11¾	11⅝-11¾	11⅝-11¾	11⅝-11⅞
U.S. Dollar	8⅜-8⅛	7⅞-8	7⅞-8	8-8⅛	8-8⅛	8¼-8⅜
Can Dollar	7⅞-8⅜	8⅛-8⅜	8¾-8⅞	8⅜-8⅝	8⅝-8⅞	8¾-9⅛
D Guilder	6⅛-6⅜	6⅛-6⅜	6⅛-6¼	6⅛-6¼	6¼-6⅜	6⅜-6½
Sw. Franc	⅛-1⅛	2-2¼	3⅜-3⅝	4⅛-4⅜	4⅛-4⅜	4⅜-4⅝
Deutschmrk	4⅛-4⅜	4½-4⅝	4⅝-4¾	4⅞-5	4⅞-5⅛	5⅛-5⅜
Fr. Franc	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅝-9¾	10⅝-10¾	10⅞-11⅛
Italian Lire	12-13½	13¾-14¼	13¼-14	13¼-13¾	13¼-13⅝	13¼-13¾
B.Fr.(Fin)	8¼-8½	8⅜-8⅝	8⅝-8⅞	8¾-9	8¾-9	8⅞-9⅛
B.Fr.(Con)	8¼-8½	8½-8¾	8⅝-8⅞	8¾-9	8¾-9	8⅞-9⅛
Yen	7¼-7⅜	7⅜-7⅛	7⅛-7⅜	7⅜-7⅞	7¼-7⅜	7-7⅛
D. Krone	8⅝-9⅛	8¾-9¼	8⅝-8⅞	9-9½	9-9½	9¼-9¾
Asian $ (Sng)	7⅞-8	7⅞-8	7⅞-8	7⅞-8	8-8⅛	8⅛-8¼

Long-term Eurodollars: two years 9⅛-9¼ per cent; three years 9½-9¾ per cent; four years 9¾-10 per cent; five years 9⅞-10⅛ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Active Liffe but quiet cash

UK clearing banks base lending rate 11½ per cent since July 30

The money market in London remained very quiet last week. Interbank rates moved up slightly on Friday, after speculation about an oil price fall weakened sterling, but the impact was minimal, and did not result in any expectation of a higher rate structure.

On the other hand the speech last month by Mr Nigel Lawson, Chancellor of the Exchequer, effectively ended any hope of an early cut in base rates, leaving the market virtually becalmed. The prospect of lower rates has also been hit by the rise in yields on paper traded in Tokyo and Frankfurt.

After the increase in yields on Japanese Government bonds the previous week, prices fell and yields rose on German Federal bonds on Thursday.

Trading in Frankfurt was rather confusing however, influenced by end of month factors. German banks had already satisfied the Bundesbank's minimum reserve requirements, allowing surplus money to flood onto the money market. In order to stop rates falling at a time when the central banks intend currencies such as the D-mark to rise against the dollar, the Bundesbank drained liquidity, via short term contracts on the foreign exchanges.

In contrast to the quiet cash market in London, financial futures were particularly active. Volume in all contracts, including options rose to a record weekly total of 112,089 on the London International Financial Futures Exchange. The previous record of 100,543 also included options trading. On Friday the volume in US Treasury bond futures was a record 8,628, after an earlier record of 7,995 on Wednesday.

MONEY RATES

(4 pm)

Prime rate	9½
Broker loan rate	8¾-9
Fed funds	8¼
Fed funds at intervention	8¼

Treasury Bills & Bonds

One month	7.04
Two month	7.08
Three month	7.42
Six month	7.67
One year	7.92
Two year	8.68
Three year	8.97
Four year	9.22
Five year	9.45
Seven year	9.79
10 year	9.96
30 year	10.24

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 1	Oct. 25		Nov. 1	Oct. 25
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1505%	11.1506%
Total of applications	£422m	£413m	Average rate of discount	11.1373%	11.1335%
Total allocated	£100m	£100m	Average yield	11.46%	11.45%
Minimum accepted bid	£97.26	£97.22	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	33%	16%			

BANK OF ENGLAND TREASURY BILL TENDER

LONDON	Nov. 1	change	NEW YORK	Oct. 25	change
Base rates	11½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	11⅝	−⅛	Federal funds	8⅜	+½
3mth interbank	11½	−⅛	3 Mth. Treasury Bills	7.43	−0.03
Treasury Bill Tender	11.1373	+0.0039	6 Mth. Treasury Bills	7.66	−0.19
Band 1 Bills	11⅝	Unch'd	3 Mth. C D	7.80	−0.19
Band 2 Bills	11⅝	Unch'd			
Band 3 Bills	11¼	Unch'd	FRANKFURT		
Band 4 Bills	11⅛	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	11⅛	+⅛	One Mth. Interbank	4.55	−0.175
1 Mth. Bank Bills	11⅝	Unch'd	Three month	4.95	+0.125
3 Mth. Bank Bills	11⅛	+⅛			
TOKYO			PARIS		
One month Bills	7.59979	+0.40625	Intervention Rate	9⅛	Unch'd
Three month Bills	7.78195	+1.1875	One Mth. Interbank	9⅛	Unch'd
			Three month	9¼	Unch'd
BRUSSELS			MILAN		
One month	8⅛	−⅛	One month	19⅛	+½
Three month	8½	+⅛	Three month	14½	+⅛
AMSTERDAM			DUBLIN		
One month	9¼	+¼	One month	9⅞	−⅛
Three month	8¼	+¼	Three month	9⅞	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 1)

Three months U.S. dollars bid	offer	Six months U.S. dollars bid	offer
7 15/16	8 1/16	7 15/16	8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

MONEY RATES

Nov. 1	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.50-4.60	4.65-4.75	4.90-9.00	4.90-9.00	4.95-5.05	5.9
Paris	9⅛	9⅛-9¼	9⅛-9¼	9⅛-9⅛	9⅛-9⅛	9⅛
Zurich	⅞-1⅛	9⅛-9½	—	4⅛-4⅛	—	—
Amsterdam	9¼-9⅜	9⅛-9⅛	—	6⅛-6⅛	9¼-5⅝	—
Tokyo	7.03125	7.59376	7.6879	7.78125	—	—
Milan	14⅝-14¾	15-15⅜	—	14⅝-19	—	—
Brussels	7.90	8⅝-8¾	—	8⅝-8⅞	8¾-9	—
Dublin	10-10¼	9¾-10	9¾-10	9¾-10	9⅞-10⅛	—

LONDON MONEY RATES

Nov. 1	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-12	11⅝-11¾	11⅛-11⅞	11⅛-11⅞	11½-11⅝	11⅛-11⅞
Sterling CDs	—	—	11⅛-11⅛	11⅛-11⅛	11¼-11⅝	11⅛-11⅞
Local Authority Depos	11½-11⅝	11⅝-11½	11⅛	11⅞	11⅛	11⅝
Local Authr'y Bonds	—	—	19⅛	18⅛	18	11⅝
Discount Mkt Depos.	10-11⅝	11⅛	11⅝	11¼	—	—
Company Depos	11-11⅝	11¾	11¾	11¾	—	—
Finance Hse Depos	—	—	11⅞	11⅝	11⅛	11⅛
Treasury Bills (Buy)	—	—	11⅛	11⅛	—	—
Bank Bills (Buy)	—	—	11⅛	11⅛	10⅛	—
Fine Trade Bills (Buy)	—	—	11⅞	11⅛	11⅛	—
Dollar CDs	—	—	7.8-7.9	7.8-7.9	7.85-7.95	8.09-8.16
SDR Linked Depos	—	—	7½-7⅞	7½-8⅛	7⅞-8⅛	7⅞-8⅛
ECU Depos	—	—	8⅞-8⅞	8⅛-8⅝	8⅛-8⅛	8⅛-9⅛

Treasury Bills (sell): one-month 11¼ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11⅝ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate of discount 11.1373 per cent. ECGD Fixed Finance IV: September 4 to October 1 (inclusive): 11.687 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 9.25-6.625 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11⅞ per cent; three-six months 11¼ per cent; six-nine months 11⅛ per cent; nine-12 months 11 per cent. Under £100,000 10¾ per cent from October 2. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7½ per cent.